Implementing Senate Bill 642
(as Amended)

Designing a Local Workforce Services Delivery System

Paper 4 in a Series of 4

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This paper emerged from my recent experience with workforce reform efforts in Texas and nearly 30 years researching, designing and implementing workforce programs in a variety of settings—local, state and federal—from Washington state to the District of Columbia. Many individuals have contributed, some unwittingly, to the information, ideas and perspective reflected here. I have engaged them in a number of ways: reading what they have written, working with them on individual projects, reviewing their programs, asking questions and carrying on extended conversations with them related to providing quality job training and employment services.

My longest conversation on this topic has been with Bill Grossenbacher, before, during and after he so ably served this state as administrator of the Texas Employment Commission. Our frequent discussions always came around to the same subject: how to integrate employment and training services to better serve Texas employers and residents.

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Finally, and most important to the reader, I owe a great debt to my editor, Liza Hallman. It is her painstaking efforts that eventually turn my drafts into prose that can be read and understood.

All of the above, however, are relieved of any responsibility for the final product, its content or the views expressed.
Designing a Local Workforce Services Delivery System
The changes to Texas’ Senate Bill 642 do not appear in early versions of House Bill 1863. They were added as a separate amendment (more than 100 pages in length) during Senate floor debate late in the 74th legislative session.
for several years to come. State leadership is crucial for success. Working in concert, the Legislature, the governor, the new council, the Texas Workforce Commission and other state agencies administering workforce programs must set the direction and lead the way. Local officials, too, must venture into the unknown, setting aside partisan differences and cooperating to take full advantage of their expanded role. Otherwise, the anticipated reforms and their associated benefits will never be realized.

Changes of the magnitude required to build the new workforce system will also raise concerns among local elected officials, business and labor leaders, and service provider organizations closely aligned with the current programs. They have major questions about their respective roles and responsibilities in an integrated workforce delivery system. Understandably, employees of the various programs being consolidated fear losing their jobs. Each of these groups has legitimate questions and needs consistent and reliable information about how the new system will work, how they will fit in, what are the expected benefits of an integrated approach to workforce development and what is the state’s schedule for moving to the new system. However well the implementation process is managed, it will take time for the benefits of the state’s workforce reform efforts to outweigh fear of the unknown and the uncertainties that accompany drastic change.

This series focuses on the most important features of the new Texas workforce system. These papers are not state sanctioned, nor are they intended to serve as technical assistance or “how to” guides. Rather, each describes a key feature of the new system and explores the major opportunities and challenges associated with its implementation. Together, they provide a framework for decision making and offer a possible course of action, particularly for those local officials willing to step forward.
The other papers in the series are:

Paper 1, The Local Option: A Stronger Role in Workforce Development

Paper 2, A Labor Market Approach to Workforce Development

Paper 3, Building a Local Workforce Development Board: The Key Steps

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Implementing Senate Bill 642, as Amended
Designing a Local Workforce Services Delivery System

INTRODUCTION

This paper focuses on designing market-based local service delivery systems in the state’s 28 local workforce areas that will best meet the needs of employers and residents. It is written on the assumption that elected officials across Texas will accept the state’s challenge, form local workforce development boards and build integrated service delivery systems in their areas that conform to state law. Before moving to the details of how local service delivery systems might be designed and operated, it is important to put this topic and that of the state’s broader workforce “systems building” efforts in perspective.

First, from an intergovernmental point of view, it is significant that public workforce programs are financed almost entirely by federal and state government, but the services they offer are always provided at the local level. The success or failure of any such delivery system ultimately depends on the local service delivery structure and the quality of services it provides. It is imperative, therefore, that the state begin building its new workforce system at the local level, specifically with the design of local integrated service delivery systems in each of the 28 designated areas. While also important, other components—the state and local governance structures and all necessary management systems—are clearly secondary. Their only purpose is to support service delivery at the local level. Decisions regarding their design should be made in that context: what contribution do they make to the suitability and quality of local workforce services or to providing these services so that local labor markets work more effectively for the employers and residents of Texas?

The case for initiating change at the local level is both compelling and straightforward. Most businesses find their workers and most residents find their jobs in local labor markets. Whether provided by a state or local agency, all workforce education, training and related services are provided in a local setting.
Furthermore, since the new workforce system envisioned for Texas is based on an intergovernmental model of shared influence and control that features decentralized policy making, the success of the state’s workforce development efforts ultimately depend on the results achieved in each local workforce area across the state.

Second, it is important to clearly distinguish means from ends and to see the new workforce system as a more effective means to achieve the state’s larger workforce goals. By providing appropriate, high-quality information and workforce services, this system will help local labor markets work more effectively and make Texas businesses and residents more competitive in the global economy. This in turn will result in higher real incomes and higher standards of living and individual well-being for all Texans.

Failure to remember the importance of the local service delivery system and to keep the state’s broader systems building activities in perspective could easily lead to misplaced priorities and adversely affect outcomes. For example, not putting the design of the local service delivery system first might lead to management support systems which dictate the mix and availability of services rather than, more appropriately, track services provided in response to customer needs. Further, without a clear focus on the desired outcomes, the new system might itself become the end of the state’s workforce reform initiative rather than the means to higher goals it is designed to achieve.

The next section identifies eight key principles that should guide the design of an integrated local service delivery system. Subsequent sections identify the major constraints affecting the design of such a system, outline the basic components of a local system that meets the requirements of state law, and identify the essential infrastructure required to support local service delivery. The conclusion sets out some realistic expectations to guide early assessments of state and local efforts to build an integrated delivery system in Texas.
EIGHT PRINCIPLES OF AN INTEGRATED SERVICE DELIVERY SYSTEM

Eight fundamental principles should guide the design of local service delivery systems that integrate workforce development services to better respond to customer needs. Such a market-based delivery system should offer universal access; be customer oriented; be demand driven; maintain a high-skill, high-wage focus; take a systems approach to service delivery; offer standard services and possess a common identity; be outcomes based, performance driven and accountable; and commit to continuous improvement.

1. Offer universal access. The principle of universal access promises all Texans equal access to the same high-quality information and basic labor market services, regardless of their income level, current labor market status, place of residence or the means by which they contact the service delivery system. Although it treats everyone as a potential customer, universal access does not mean everyone receives all services or even the same services. The kinds and levels of services provided depend on individual interests and needs and the availability of resources.

Shifting from categorical programs targeting certain segments of the population to a single, integrated system offering universal access poses an enormous challenge. The federal government is cutting funding for job training and employment programs, the focus is shifting to emphasize employer needs, and service providers are under intense pressure to perform. Questions arise immediately about how minorities, the hard-core unemployed and other special population groups now being served by various categorical programs will get the services they need under the new system to become economically self-sufficient. How does the state ensure them access to the delivery system? Or, put another way, how will the new system safeguard against creaming (i.e., serving only those who need minimal, low-cost services to find jobs)?

No one rule, prohibition or precaution can eliminate creaming, but some combination of the following practices will protect the system from it: (1)
enforcing federal and state legislation that forbids discriminatory practices among businesses, schools, unions and other labor market entities, (2) adjusting performance standards to take into account the added risk and costs of serving hard-to-serve populations, (3) providing economic incentives for serving these populations and (4) instituting case management systems that provide advocacy and counseling support (Sheets and Stevens, 1992).

While protecting services to special populations is essential, a growing number of researchers and professionals in the field share the opinion that a universal system—if carefully designed and managed—will better serve these groups than categorical programs, which label, sort, classify and inadvertently stigmatize those who enroll, thereby diminishing their chances for success in the labor market (Marshall and Tucker, 1992; Osterman, 1988; Wilson, 1987). Moreover, a universal system providing high value-added services to all employers and residents of Texas will enjoy much broader public support than the narrowly focused categorical programs. With time, this should result in a stronger political commitment to workforce development and increased funding for necessary labor market services.

To make universal access a meaningful reality, local systems designers will have to be unusually innovative and work closely with their state counterparts. They will have to employ the latest electronic technology so that Texas employers and residents with computers can have on-line access to information and labor market services. To ensure that a good portion of the resources available are spent on those who need intensive services to become employable, local designers will have to build in needs assessment components early in the service delivery process to separate those who can assume responsibility for their own training and job search from those who need minimal assistance and from others who need longer-term education, job training and financial assistance to find jobs that pay a living wage.

2. **Be customer oriented.** The sole purpose of a local workforce service delivery system is to provide information and labor market services to its customers—the employers and residents of Texas. Its primary objective is to identify customer interests and needs and provide quality services in response, so that both sets of customers become more competitive in the global economy.
Being customer oriented requires that local service providers operate with services first philosophy that focuses on people rather than on the cumbersome and time consuming client processing activities that preponderate in categorical programs. It also requires attention to customer satisfaction and an immediate feedback capability at the local level to ensure that services are relevant, effective and provided in a timely fashion.

Moving from separate categorical programs to an integrated service delivery system with a strong customer orientation will necessitate a whole new mind set for everyone in the system, especially those directly involved in providing workforce services. Under the former, service providers work within the narrow limits of a single program and spend their time identifying individuals who are both eligible for and in need of one or more of the services offered by that program. While some employers and residents may benefit from this approach, providing actual services is secondary to its primary focus: complying with federal and/or state laws, rules and regulations.

In a customer oriented delivery system, exclusive attention is given to identifying customer needs, whatever they are, and providing services wherever they can be found. Customer choices are not limited by either the eligibility requirements of the available funding sources or the services currently supported by those funds. While still important, the traditional federal workforce programs join other public and private resources as potential sources of funding for the needed services. These resources include other federal programs (e.g., education grants and loans), state and local governments, private foundations, church and civic organizations, individual employers and private scholarships.

Operating from a customer oriented, services first perspective will yield unexpected results in the form of individual creativity and commitment. Once armed with high-quality information, multiple options and encouragement, many of the system’s customers will be willing to shop around on their own, find and, in many instances, pay for a portion of or all the services they need. This approach, along with a carefully designed delivery system, will free up scarce public resources for those who cannot afford to pay.
3. **Be demand driven.** A demand driven service delivery system defines employers as the primary customers of the system and is guided primarily by economic rather than social welfare concerns.\(^2\) In such a system, the first service focus is always to identify employers’ needs for information and labor market services that will make them more competitive in the global economy. This approach differs sharply from that of most public workforce programs, which are school-based, concentrate on the supply side of the labor market, have a strong social services orientation and provide education and training services that are often detached from labor market needs and the employment and training activities of employers and industries (Osterman, 1988).

A demand driven local service delivery system brings the labor market into better balance. It gives employers the lead in determining the kinds of education and skills training to be provided with public resources, replacing educators and job training professionals, who have done this for far too long. It also broadens the search for solutions to labor market dysfunctions from the almost exclusive reliance on education, job training and job search assistance found today in most categorical workforce programs.

Identifying employers as the primary customers of a local service delivery system should not be misinterpreted. Employers are by no means the exclusive customers. It is simply a matter of setting a clear priority and putting the horse before the cart. This emphasis on meeting employer needs is grounded in the recognition that employers control the jobs. What residents need in the way of labor market services are information, education and training to bridge the gap between the skills they possess and those required to meet the entry level requirements of available jobs. Put in this context, residents’ workforce needs are derived needs, determined by labor market demand.

A demand driven local delivery system also functions better as a labor market intermediary, tackling issues related to labor demand as well as supply

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\(^2\) This is an old but important distinction drawn by E. Wight Bakke in his 1960s work on developing and implementing a positive labor market system for the United States. Bakke stressed that economic objectives should be the primary but not exclusive drivers of a labor market system and the services it offers. Social-welfare objectives, while also important, come second. For Bakke, it was a matter of deciding what is most important and setting the system’s priorities accordingly.
and providing a lubricant to make labor markets work more smoothly for Texas employers and residents. Both sets of customers have diverse interests and labor market needs. As an intermediary, the local system should seek to improve the quality of information and services available, better match services with customer interests and needs, and decrease costs for those using the system. It must be comprehensive and flexible enough to respond to all feasible combinations and permutations of employer and resident needs.

4. Maintain a high-skill, high-wage focus. Under this principle, an integrated local service delivery system supports Texas employers in following a high-skill, high-wage competitive strategy in the global economy by providing a ready supply of well-trained, highly productive workers. This sharply contrasts with a low-skill, low-wage approach to increasing market share and profit margins, which carries with it the undesirable consequences of driving down real wages, limiting domestic markets for employers’ products and lowering the standard of living for all Texans.

At the same time it provides information and basic labor market services to all employers and residents, a local delivery system adopting a high-skill, high-wage strategy also targets industries and specific employers within those industries which pay their workers living wages and provide good fringe benefits. It focuses on the so-called demand occupations with clearly identifiable labor shortages as well as on emerging occupations offering new employment opportunities. It invests heavily in information and services that attract high value-added jobs to the area. Equally important, it provides area residents access to the basic education and technical skills they need to be productively employed in the jobs it targets.

Maintaining a high-skill, high-wage focus is critical to both economic growth and a higher standard of living for Texas workers.

5. Take a systems approach to service delivery. Under a “systems approach” to service delivery, a single, integrated system offering immediate access to quality information and a wide range of labor market services replaces the various categorical programs in each of the state’s 28 local workforce areas. One delivery system offers services to employers throughout the area and to
residents—the employed as well as the unemployed, the advantaged as well as the disadvantaged, and the young as well as the old.

An integrated service delivery system identifies and brings together resources from as many different sources as possible to meet the needs of its customers. Services previously available only through separate government agencies and programs are provided through a single—and seamless—process. Ideally, customers cannot identify the specific federal or state funding source for the services they receive, and the service process does not include duplicative activities or services (e.g., eligibility determination, assessment, testing, counseling, etc.).

The employer services offered to business customers of an integrated system include a wide range of information and labor market services available online, through a centrally located employer services unit or through one of the career development centers set up primarily to serve local residents. The services available will depend on employer interests and needs, but they might include economic forecasts, wage and salary information, employee recruitment, testing and screening, workforce skills analysis, education and skills training for incumbent workers, technical assistance, and automated unemployment insurance services.

The resident services available to individuals looking for immediate employment or educational opportunities include high-quality labor market information and direct job matching and placement assistance. An integrated system also offers other employment related services (e.g., career counseling or job search assistance) to residents who need more than just good information to find a job.

Developing a plan of action and identifying the resources required to provide even more intensive developmental services (i.e., basic education and skills training) will, of necessity, take more time. This process should involve an independent assessment of the individual’s workforce needs, the development of a mutually negotiated career plan, the provision of high-quality labor market information and counseling, referral to approved providers for education and training, and follow-up services to ensure successful employment and economic
Designing a Local Workforce Services Delivery System

self-sufficiency. At this point, once an individual’s needs for training and services are determined and plans to meet them developed, the integrated system commits funding for the plan to the individual before referring him/her to local service providers (e.g., educational institutions or child care providers). This contrasts with the current practice of some programs which earmark funds in advance to preselected service providers.

Tying resources to individuals rather than to service providers changes the way the local service delivery process works in several important ways. First, it transforms clients into consumers by giving them good information, multiple options, the right to choose and the ability to pay for the services they need. It frees recipients from being viewed and treated as clients, dependent on the services offered by one or more public programs.

Armed with reliable information and adequate resources, residents who can pay their own way and those who can’t both become effective consumers in a market environment where high-quality education and training providers compete for students and funding.

Second, the integrated workforce service delivery system envisioned here denies an exclusive role to any potential provider in the service delivery process. It relies on market forces. Without funding committed in advance, service providers must compete for applicants. The amount of workforce funding they receive depends on the number of individual referrals they successfully serve.

Third, the integrated system changes the way special populations are served. Treated as individuals rather than as members of a separate group, residents with special labor market needs undergo the same assessment, counseling and career planning process as others. (Their proposed treatments, however, may vary significantly.) The up-front commitment of funds and appropriate referrals will effectively mainstream these individuals in regular education and training institutions. Though they have ongoing access to counseling, case management and support services through the local career development centers, they are no longer segregated in and stigmatized by “second chance” programs.
6. **Offer standard services and possess a common identity.** This principle assumes that every local service delivery system—while designed and governed locally—is also a compatible part of the larger statewide workforce system. In this role, all local systems should provide common information and a standard set of labor market services despite differences in local economic conditions, labor market needs and the service preferences of their customers. While local systems should each have their own unique identities, they should also share a common statewide identity that is easily recognizable and not directly linked to any one federal, state or local workforce program or agency. They should be electronically linked in a statewide management system to facilitate the free and efficient flow of information, resources and services across the state.

The sharing of some common, standardized features will permit employers and residents to access information and services anywhere in the state, regardless of where they first contacted the system, without having to start over. It will also allow the state to better respond to emergency situations or unanticipated needs that outstrip the affected area’s available resources.

Any state mandates requiring that information and labor market services be available statewide can be viewed as usurping local decision making authority. State system designers must take care not to intrude unduly in local affairs, but the mobility of employers and workers mandate some standardization and uniformity across local labor market areas and even across states. Any additional requirements imposed in the interest of building an integrated statewide system should be developed jointly by state and local officials and justified in terms of their contribution to improving services and making labor markets work more smoothly for employers and residents. Requiring that certain information and services be available statewide and establishing a minimum standard does not prohibit local service delivery systems from also offering services that meet their area’s unique labor market needs.

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3 Once fully developed, local labor market information systems will include on-line information about job opportunities, training and other workforce services available nationally and even internationally.

4 Local workforce boards should take the opportunity provided by the state’s current workforce reform efforts to take on new identities that distance them from public workforce programs of the past and their negative images.
7. **Be outcomes based, performance driven and accountable.** This principle dictates that a local service delivery system be designed to achieve well-defined labor market outcomes for both sets of customers (i.e., increased competitive advantage for employers, and employment and earnings gains for local residents). Any evaluation of a local system’s effectiveness should incorporate these outcomes and take into account the efficiency of the service delivery process as well as the level of customer satisfaction. Service providers are accountable to the local workforce board, which is, in turn, directly accountable to the new Texas Workforce Commission.

Building in clearly identified roles and responsibilities for service providers, clear lines of accountability and well-defined expectations (i.e., measures and standards for system performance and impact) stands in sharp contrast to the current program-by-program approach to workforce development. With the exception of some of the services provided under the Job Training Partnership Act, performance management and systematic evaluations of impact are virtually nonexistent. While current programs can generally account for the money they receive, they are not held accountable for whether the money is spent effectively. Furthermore, no one asks whether the programs help labor markets work more efficiently or whether they increase the employment and earnings of residents served or the profits of employers.
8. **Commit to continuous improvement.** Following this principle, local workforce delivery systems must commit themselves to an ongoing monitoring of the service process and its track record in achieving desired outcomes in order to continuously improve the quality of services offered. The key to abiding by this principle is developing the capacity to listen, learn and respond to customer needs. Workforce reform in Texas provides a unique opportunity to identify and promote such practices, including the continuous training for professional staff throughout the new delivery system.

The language and practice of quality improvement is now standard in the private sector. Incorporating them into local workforce delivery systems provides a means to better communicate and connect with businesses leaders across Texas, in many cases for the first time.

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5 The encouragement to include continuous improvement in the list of guiding principles came from Jim Boyd and his work with the Enterprise Council, a local, state and federal effort to promote “quality” practices in the employment and training community.
CONRAINTS ON LOCAL SERVICE SYSTEM DESIGN

Unfortunately, local system designers across Texas are not free to build local service delivery systems that immediately incorporate the eight preceding principles. They face a number of constraints that will challenge their creative abilities and make systems building a long process.

First, there are those requirements imposed by Texas law in the interest of building an integrated workforce system for the entire state. While most of these requirements relate to fashioning governance and management frameworks and sorting state and local relationships in the new system, others limit local options on actual service delivery system design. Specifically, the law mandates that local workforce boards be totally independent of all other workforce organizations in their areas and not be directly involved in providing workforce services. It requires local officials to create delivery systems that have two components, one focused on serving employers, the other on serving area residents.

Further, by law, the resident services component must be structured as a network of career development centers modeled on an integrated services approach and these centers must be supported by an electronic access capability that makes information and a wide range of basic labor market services readily available throughout the workforce area. Finally, the law specifies a set of common services to be provided at all career development centers and prohibits the entities operating these centers from providing developmental services such as basic education and skills training.

Though the law authorizes waivers for some of these design requirements, the language of the law, a subsequent interpretation of legislative

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6 Though House Bill 1863 makes reference to a one stop service approach when describing the components of a local service delivery system, the term is a carry over from federal terminology and does not adequately capture the nature of the integrated delivery system envisioned for Texas. In fact, it is a misnomer.

7 For a more detailed discussion of state requirements limiting the design of local delivery systems, see McPherson (1994), Building a Local Workforce Development Board: The Key Steps.
intent and rules promulgated by the new Texas Workforce Commission (TWC) make it clear that such waivers should be granted only when local service delivery capacity temporarily precludes effective implementation of the law as written.

A second set of constraints limiting local design options derives from the federal categorical programs, which fund most of the services to be integrated in Texas’ new service delivery system. Each of these programs has its own set of rules setting administrative and eligibility requirements and specifying the services that can be provided. These restrictions limit local designers’ flexibility but must be followed in order to ensure continued federal funding. In addition, various other federal requirements set by the Office of Management and Budget and the Office of Personnel Management also apply to the administration of the categorical programs, further limiting local service delivery options.

Workforce reform in Texas was predicated on similar reforms taking place at the federal level. Though the state’s reform efforts moved on schedule, federal efforts, unfortunately, stalled in Congress. The anticipated federal legislation would have block granted workforce funds to the states, decentralized decision making and provided relief from the more onerous federal laws, rules and regulations. These reforms would not have given state and local officials total discretion in designing Texas’ service delivery system, but they would have provided much needed flexibility. Absent federal reform, Texas designers must do their best to provide a seamless flow of services from categorical funding sources with restrictions that, in many instances, conflict with the requirements of an integrated service delivery system.

The state can move forward without federal reform, but the job will be more difficult and require astute leadership from the TWC as well as a willingness on the part of the new commissioners and top staff to take some risks. They will have to advocate the Texas approach at the highest levels of government: in the Department of Labor, in the administration and in Congress. Otherwise, those midlevel federal and state bureaucrats committed to perpetuating a categorical approach will systematically undermine Texas’ decision to build an integrated workforce delivery system.
Local designers face a third set of constraints in the form of federal funding cuts for those education, job training and employment programs which are the primary funding sources for workforce services to be provided through the integrated service delivery system. These cuts reduce the dollars available not only for services but also for the system design activities and staff training so essential to creating the new system and providing quality services to Texas employers and residents.

A fourth set of constraints arises from the uncertainties and delays that inevitably accompany starting up a major state agency. Organizing and staffing the TWC while at the same time building the new workforce delivery system specified by the Legislature is an enormous undertaking made even more difficult by the complexities associated with consolidating programs from several other state agencies and shifting policy making to local officials through block grant funding. Hamstrung by an initial shortage of agency staff and facing strong resistance to the new system at every turn, the TWC has been understandably slow to adopt rules and move forward with clear guidance to local officials. An apparent erosion of state legislative support for block grants and decentralized decision making has not helped matters, nor has encouragement from the Department of Labor’s regional administrator to delay implementation of major parts of the new system, specifically formula allocating Employment Services funding to local workforce boards as required by state law.

Failure to move forward on this issue seriously hampers local efforts to build the delivery system envisioned here and in state legislation. Without formula allocation of Employment Services funds, local boards can neither design and effectively implement the state required employer services component nor provide universal access to the residents of Texas.

A closely related concern—which might quickly grow into a fifth set of constraints—is the tendency of government, when charged with decentralizing policy decision making, to immediately begin micromanaging and seconding guessing the decisions of those to whom it has relinquished power. In this case, the state may try to control processes and dictate procedures which now belong in the purview of local officials. Reaching a new equilibrium between state and
local authority as the new workforce system unfolds will be challenging and frustrating, a source of tension for all. Finding the right balance will require patience on the part of both partners and strategic, high-leverage investments in staff training and development, especially at the TWC, to break down the well-entrenched categorical cultures. Without fundamental changes in the perceptions and behavior of workforce staff throughout the state, little will come of Texas’ bold workforce reform initiatives.

The state needs to provide a clear intergovernmental framework for the new workforce delivery system, sustain an unwavering commitment to decentralized decision making and provide strong and consistent leadership. Otherwise, local designers will hesitate to move forward. Knowing that they may have to make major changes once state policy decisions are made, most are reluctant to put local service delivery systems in place and make funding commitments.

Finally, local implementation of the new system is severely constrained by a lack of funds. Aside from providing Department of Labor-funded one stop service center grants to selected areas, limited planning grants to facilitate the formation of local workforce boards, and small financial rewards to the first five local areas with certified boards, the state has not financed local transition to the new system. Coupled with the absence of block grants giving greater flexibility to local areas, this has impeded local progress.
THE LOCAL SERVICE DELIVERY SYSTEM

While the many constraints identified in the previous section represent major challenges for those designing local service delivery systems across Texas, they can and must be surmounted. Texas’ future standard of living depends on it. The categorical approaches of the past have failed to provide high value-added services, but integrating workforce services in a single delivery system holds the promise of making Texas employers and residents more productive and more competitive in world markets.

This section examines that promise and makes the case for battling the odds to build integrated local service delivery systems throughout Texas. By describing a model local service delivery system that meets the requirements of state law and conforms to the guiding principles identified earlier, it also addresses practical design issues such as service mix and sequence and structuring the service process.

The service delivery system envisioned here provides high-quality information and labor market services which meet the interests and needs of two sets of customers, Texas employers and Texas residents. Given the nature of most workforce services, serving either set of customers in effect serves both, often simultaneously. In contrast to the categorical programs, however, this system identifies employers as the primary customers, and it gives top priority to meeting their human resources needs. Putting employers first not only better serves employers who already use public employment and training programs, it also expands that pool by attracting employers who currently choose other alternatives. For individuals seeking jobs and/or further education and skills training, including the economically disadvantaged and otherwise hard-to-serve, the new employer relationships open routes to otherwise unavailable high-skill, high-wage jobs.

Consistent with its dual customer base, the local service delivery system has two major components, one providing services to local employers, the other to area residents, primarily students and workers looking for information and
assistance in meeting their labor market needs. Separate contractors may manage the two components, but they are strategically linked as integral parts of the same local system. To provide universal access to information and services, both components must invest heavily in the technology to offer electronic access.

Unquestionably the heart and soul of the state’s workforce development effort, the local service delivery system requires support from a statewide management infrastructure, including a comprehensive labor market information system and a sophisticated, state-of-the-art management information system. The first provides essential information to both employers and residents, often the most valuable service they receive. The second tracks customer services and costs, provides on-line information for service staff and managers, and reports program activities and expenditures to the appropriate funding sources.
THE CASE FOR AN INTEGRATED SERVICE DELIVERY SYSTEM

A recent series of General Accounting Office (GAO) reports include numerous examples of overlap and duplication among the various federal employment and training programs. One in particular identified 154 different programs operating through 14 separate federal agencies, many serving the same population groups with similar services (GAO/HEHS-94-78). Together, these reports highlight the fact that the United States has neither a coherent set of workforce policies nor a unified service delivery system, and they recommend that Congress embark on substantive reforms.8 Many other state and national studies of categorical programs mirror GAO's findings. One in particular, a 1992 staff report to a subcommittee of the Texas Legislature, detailed similar problems here.9

Workforce services in Texas are currently provided through a bewildering array of state and locally administered job training and employment programs which employers and residents both find confusing and inaccessible and generally avoid, if at all possible. Funded from a variety of federal and state sources, these programs operate without the benefit of a common set of goals, performance expectations or evaluation criteria to guide their activities and measure results. While they provide much needed workforce services to certain population groups, they are so focused on issues of participant eligibility and compliance—making sure they meet the administrative rules and regulations that accompany the federal and state funding—they probably spend more money on processing activities (e.g., determining eligibility, complying with federal requirements and reporting) than they do on providing education and training to enhance the employability of those they serve.

Generally, these categorical programs operate with little understanding of how labor markets work or what employers need in the way of human

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8 See GAO reports listed in the bibliography for more details.
9 See A Quality Workforce: The Premier Chip in a High-Stakes Game, a report to the Workforce Development Subcommittee of the Texas Senate Interim Committee on State Affairs, November 1992. Most interesting, this report found that of the seven different state agencies providing workforce services, not one of them considered workforce development its primary mission.
resources. Further, due to their narrow focus on the economically disadvantaged and unemployed, many employers view them as extensions of the public welfare system or, at best, “second chance” programs for those who have problems finding and holding a job. As such, they automatically stigmatize individuals who enroll for services, making it even more difficult for them to succeed in the labor market.

Not surprisingly, policy makers share a growing perception that categorical approaches simply do not work and cannot be relied on to produce the high-performance workforce demanded by emerging technologies and economic trends. Beyond anecdotal evidence, there is little to counter this perception. No national or state across program evaluations have been conducted to answer questions about the effectiveness of public investment in workforce development or the relative effectiveness of the separate programs and the services they provide. No one knows the return on investment. One of the few carefully designed evaluations that has been done, a national evaluation of programs funded under Title II-A of the Job Training Partnership Act (JTPA), suggests that they have little or no positive impact on the future employment and earnings gains of most participants.\(^{10}\)

Absent evaluations showing significant benefits or returns on investment, the current approach to workforce development can no longer be defended as sound public policy for addressing market failures. In a period of declining resources, neither the federal government nor the state can justify spending scarce public dollars to support the administrative and service bureaucracies of so many separate programs. They are duplicative, inefficient and far too expensive. Further, because of the way they are designed, they spend too much money on program administration and client processing activities and too little on the education, training and related services that make participants more employable.

A single system that consolidates funding sources, combines administrative and service delivery functions, and integrates the delivery of workforce services offers an attractive alternative. If designed and operated

\(^{10}\) For details, see *The National JTPA Study* cited in the bibliography.
according to the guiding principles set out earlier, an integrated service delivery system can solve many of the problems just identified. Beyond realizing administrative efficiencies and making services more effective, an integrated system can avoid stigmatizing those who use its services by offering universal access to employers and residents. At the same time, it can better serve those special population groups now enrolled in categorical programs. A single system can also have easily recognizable points of access, making it more user friendly for both employers and residents. Furthermore, tracking participant progress, assessing the effectiveness of alternative service strategies, and evaluating results become more feasible.

Given the current disillusion with categorical programs, cuts in federal funding and a growing recognition of the economic benefits of a highly educated and well-trained workforce, Texas has little choice but to move toward an integrated workforce delivery system. Simply adding another program—the approach taken since the 1960s—or trying to better coordinate existing programs and services will protect the entrenched bureaucracies of current programs for a time, but neither will achieve the state’s larger workforce development goals. Incremental approaches will not suffice to prepare employers and residents for the technological changes and global competition they face.
EMPLOYER SERVICES

Employer services make up the lead service component in the local delivery system envisioned here, the critically important link between public workforce services and employer needs. Without it, the new workforce system would operate as the categorical programs have, in relative isolation from the labor market, to the detriment of both Texas employers and residents.

The Current Approach

Grounded in human capital theory, current public job training and employment programs focus on the supply side of the labor market. They make investments in education and training to upgrade the skills and increase the productivity of participants, and they expect returns such as enhanced employability and increased earnings. These programs operate with a strong social welfare orientation. They target segments of the general population—typically the unemployed, economically disadvantaged and low skilled—and offer those they serve a mix of education, training and employment services to improve their skills and increase their wages. Not surprisingly, the current programs are viewed as extensions of the public welfare system, and as such, they inadvertently stigmatize those they enroll. What public job training and employment programs don’t do is approach employment issues from a larger labor market perspective (i.e., how labor markets work and what is needed on both the supply and demand sides to make them work more effectively for employers and workers).

While many workforce programs now fund technical skills training only in occupational areas with identifiable labor shortages, most operate still with little or no direct involvement from employers.11 The services they offer are

11 There are exceptions. For example, Texas State Technical College and the state’s community colleges establish employer advisory committees for each of their technical training programs to identify skill requirements, help design curriculum, oversee training and provide job placement assistance. Though the level of employer involvement varies greatly, these committees take a step in the right direction. The Texas Employment Commission (now the
largely determined without considering the human resources needs of the private sector. Some do put employers or employer representatives on their advisory groups or policy boards, but in many cases they do so more to comply with requirements of their funding sources than to actively involve these employers in the design and delivery of services. Few of these programs recognize that employers are their primary customers. If asked, most would identify the federal and/or state agency funding their programs and/or the population groups they serve as their main customers.

Given this perspective, staff of the various programs generally contact employers in the later stages of the service process, as their enrollees near graduation. Then, rather than trying to understand and respond to the employer’s needs, they more likely try to convince the employer to hire graduates of their particular program. They might employ a number of different job development and placement strategies, but most fall into one of two categories. The first appeals to an employer’s sense of social responsibility and seeks pledges to hire as a demonstration of good corporate citizenship. The second offers tax credits or wage subsidy schemes such as on-the-job training contracts as monetary enticements to get hiring commitments. Often the two are combined to sweeten the offer.

These approaches are marginally successful at best. More often than not they send the wrong signal—the first of many possible miscommunications. Private employers and most public education and workforce program staff do not even speak the same language. For example, employers inquire about education and skill levels. They want to hear what graduates of a program know and can do. Program staff respond with information about years of school completed and certificates obtained. Employers want to talk about systems and results, while staff working in public programs tend to concentrate on the employment problems of individuals they serve and the services needed to solve

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Texas Workforce Commission), too, has long recognized the importance of serving employers and has regularly sought their advice through its network of voluntary Job Service Employer Committees. While noteworthy in some instances, these efforts to involve employers are highly uneven. Nor do they approach, in breadth or quality, the level of employer participation sought or employer services provided by the workforce system envisioned in this paper.

12 Apprenticeship and on-the-job training programs operating with a “hire first” philosophy are exceptions. Although these programs involve employers much earlier, they, too, reflect a strong social-welfare orientation.
Designing a Local Workforce Services Delivery System

Matters are further complicated by the fact that employers and program staff come out of different environments and bring dissimilar perceptions and experiences to the table. These unavoidable differences make both parties naturally suspicious of the other’s motives.

Private employers also mistrust the very programs these staff represent, particularly those run by government to serve populations with special labor market needs. They see the programs as temporary and unreliable, poor sources of workers of the quality they need. Employers are also put off by the additional paperwork, the oversight and reporting requirements that always accompany government programs. More important, they perceive the offer of a wage subsidy to encourage hiring as signaling an inferior product (i.e., these workers are not fully qualified and are likely to impose special demands on the workplace). In other words, using wage subsidy schemes to market graduates of government programs known to serve only the unemployed or economically disadvantaged is more than enough to cause employers to quickly back away. Wage subsidies, like tax credits, devalue the very people they purport to help.

Not surprisingly, most employers do not respond to the appeals of government workforce programs to get involved. Others agree to participate, usually on a very limited basis and often for the wrong reasons. They hire one or two graduates from a particular program to fulfill their political, social and/or moral obligations to some part of the community and view their participation as a cost of doing business. Clearly, these employers do not expect the graduates to contribute much, if anything, to their bottom lines. Employer participation predicated on sympathy or obligation will always be token in scope and difficult to sustain.

Other employers, primarily those operating marginal enterprises, participate in public workforce programs solely for the wage subsidy. Often

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13 It is important to remember that many private employers have had little or no experience with government programs offering services to meet their needs. Most often, their experiences have been limited to paying taxes and being regulated by one or more government agencies. Needless to say, most are apprehensive when government offers to help.

14 See King and McPherson (1996). Their observations come from both a review of research on the effectiveness of wage subsidies and direct experiences operating job training and employment programs.
unstable, these employers do not represent good opportunities for productive win/win relationships. They tend to pay the minimum wage and their interests are often short-term. As such, they tend not to view workers as long-term investments and seldom provide education and training to further develop the skills of those they hire.

Though limited in scope, recent research conducted by the Center for the Study of Human Resources at the University of Texas at Austin found that high-performance employers, those who have restructured their work places and recognize the economic returns from investing heavily in their workers, also accept wage subsidies—because they are offered. They do not, however, base their hiring decisions on the subsidies, nor do they seek them out. In fact, rather than getting involved with government programs offering subsidies, they would prefer building ongoing relationships with quality suppliers of human resources services, either public or private.\textsuperscript{15} They want a quality product or service, not incentives to participate in “yet another government program.”

No facet of the traditional workforce programs—neither the services they offer nor the approaches they employ—works very well. Too narrowly focused on supply side issues, they are disconnected from the demand side of the labor market. They neither adequately serve the human resources needs of employers nor gain access to quality jobs for most people they enroll. Fortunately, there are isolated cases of success, but as a rule, even these programs do not work well for employers seeking qualified applicants or for individuals seeking jobs, additional training or other labor market services.

The old approach to workforce development, where government defines the problem, develops a program and then attempts to involve employers in its solution, no longer works. Clearly, it’s time for something new.

\textbf{Employers First: Developing, Marketing and Selling Services}

\textsuperscript{15} Again, see King and McPherson (1996).
With few exceptions, employers’ needs are often neglected by public labor market policies and programs. Seldom are their human resources needs seriously considered, except as an afterthought. The emphasis has been on helping the unemployed, economically disadvantaged and displaced find jobs and training, often by asking employers to serve on advisory boards, provide information about employment opportunities and hire participants of various job training and employment programs.

The approach suggested here puts employers first. It identifies employers as the primary customers of the state’s workforce system and places heavy emphasis on developing, marketing and selling a variety of labor market services to meet their human resources needs. Successfully implementing this new approach requires a radical departure from past practices. Cosmetic changes or the introduction of superficial techniques will not suffice. To use a term introduced by Thomas Kuhn and popularized by Steven Covey, there must be a “paradigm shift.” Old perceptions, attitudes and behaviors regarding public workforce policies and the delivery of services have to change. A fundamental transformation must take place in the way those who design and operate the new system view the development of the state’s workforce (e.g., initiating the service process from the perspective of employer needs and moving to a customized approach, with just-in-time production).

The potential rewards from integrating services and putting employers first are unlimited. Again using Covey’s language, this approach can create a win/win situation for everyone involved. The appropriateness and quality of workforce services can improve quickly for both employers and residents. Even more important, over time, a better understanding of labor markets and employer needs will emerge. Designing and marketing services to meet those needs will lead to new relationships between the evolving workforce system and Texas employers that will pay handsome dividends for all.

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16 As used here, *marketing* describes activities designed to raise awareness, build interest and create demand. It includes both public relations (non-paid) and advertising (paid) activities directed at targeted audiences. *Selling*, on the other hand, involves the direct one-on-one interactions with potential customers which follow up the system’s marketing efforts.

17 For more details, see Covey (1990): 29-31.

18 Again, see Covey (1990): 201-234.
When planning and marketing employer services, local system designers must not lose sight of the fact that funding for them comes from a variety of federal and state sources, each with its own set of rules and regulations.\textsuperscript{19} As long as this is the case, every local workforce system in the state has to offer all employers a standard set of services that meets the aggregate requirements of the various funding sources (e.g., basic labor exchange functions, including services to unemployment insurance claimants and veterans). Though mandatory, providing these services creates opportunities to offer other labor market services to employers. Accordingly, these basic services should always be high quality, professional and timely.

While providing these services well is important, local systems must set their sights on a more ambitious goal if they are to effectively meet employers’ human resources needs and access quality jobs for residents. Building ongoing relationships of mutual benefit with employers that invest in their workers takes diligence and focus.

System designers first must recognize that every local economy—while integrated and interdependent—is comprised of clearly identifiable industry segments or groups, each of which includes a number of individual employers. Together, employers in all these various industry groups represent the current and projected employment opportunities in a local area. Some industry groups have been around for some time, are fairly stable and may or may not be growing, but they are now the source of most jobs in the local economy. Others, while relatively small, may be growing rapidly and show promise of new and emerging employment opportunities. Some industries and some occupations within industries are high wage, others are not. Whatever the case, employers in the same industry group operate in similar competitive environments and share similar human resources needs.

This works to a new local service delivery system’s advantage by enabling it to develop specialized services it can market to more than one employer in an

\textsuperscript{19} The primary funding sources for employer services are the Federal Unemployment Tax Act (FUTA), the state’s Smart Jobs Fund and newly created Skills Development Fund. To a lesser degree, JTPA and other federal workforce programs funds may be used to support employer services, depending on how such services are defined and targeted.
industry group, a critical efficiency given a new system’s limited resources and lack of experience providing comprehensive employer services of the kind envisioned here. A local system can further maximize its resources by identifying those industry groups most important to its area’s economic future, targeting the key employers within them, and designing and marketing a set of specific services that meet their unique human resources needs.

Key employers in a targeted industry are those offering the best current and future employment opportunities. They are high-skill, high-wage enterprises which provide good fringe benefits, including health insurance; incorporate well-defined occupational areas offering clearly defined points of entry, identifiable career paths and good prospects for advancement; and make sizable investments in further training for their front-line workers.  

Targeting these employers in large and growing industries is critical if scarce workforce resources are to contribute in any significant way to fostering the economic growth of an area and raising the standard of living of its residents.

Any industry or employer targeting must be based on quality information and careful labor market analysis, including face-to-face meetings with key employers to validate statistical information on employment, employment trends and future prospects. Engaging employers early in the process is one of several steps necessary to involve them as active participants in designing the local workforce development system—an absolutely essential ingredient for success.

Depending on the size and complexity of an area’s economy, careful targeting may result in the local system’s initially developing and marketing specialized labor market services for only a few key employers in two or three industries. Beginning slowly is prudent. It takes time to gain the experience, acquire the technology and develop the capacity to operate on a broader scale.

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20 The definition of a high-skill, high-wage employer is not absolute. It will vary from area to area across Texas depending on differences in wage rates, industrial composition, employer size and other variables. The emphasis on high-wage, high-skill jobs is intended to push local workforce systems to make sizable investments in training only for jobs that offer the highest possible return.
Building the new workforce system offers a once-in-a-lifetime chance to make a clean break with traditional programs and their negative images and establish new relationships with employers. Taking full advantage of this opportunity, especially in an environment of limited resources and marketing skills, requires that local workforce systems move deliberately to ensure the quality of all services. A new local system cannot afford many false starts before it is perceived as offering nothing but the same old government programs under a different name and before it is tainted by the stigma of past efforts. As a new system succeeds in meeting the needs of employers in its priority industry groups and as its resources and expertise grow, it can expand services and market them accordingly.

Once employers in a targeted industry are identified, the next step is to ask two questions. First, do these employers have specific human resources needs that are not being adequately met by current providers? (In other words, is there really a market for additional workforce services?) Second, do these needs fall within the service capabilities of the new workforce system? Answering these questions requires one-on-one conversations with employers and additional in-depth market research as well as an initial determination of the kinds of high-quality services (beyond those required by federal or state law) the local system can offer and actually deliver to employers.\(^{21}\) If the answer to both questions is yes, then local operators should identify or develop a set of services that meets these employers’ needs and begin to actively market and sell them to the targeted employers.

To be comprehensive, a local workforce system’s marketing and sales effort must include a number of elements: establishing an identity among local employers, especially those targeted for specialized services; making direct contacts with these employers; narrowing or expanding the effort depending on response; and following up with possible solutions to the problems identified by interested employers. What’s important is that employer services staff market

\(^{21}\) Any such determination of service capability should include those employer services that can be provided by the local workforce system itself as well as those that might be arranged for employers through the system. This assumes that local systems will broker as well as provide direct services to better meet employer needs.
solutions to needs and problems, not a rigid set of predesigned services. Staff members are no longer simply trying to place the graduates of special programs serving population groups with labor market problems. They produce and market what sells rather than market what they produce.

This requires a totally different approach to marketing and selling. According to Covey, successful sales persons first attempt to understand the needs and situation of their customers. They learn how to diagnose situations, identify problems and relate an employer’s needs to the products and services they have to offer. And, they have the integrity to say, “My services will not meet your need,” if they will not (Covey, 1990, p. 244).

Under the principle of continuous improvement, the final step in any effort to design and market specialized services is to continually assess results and make any necessary adjustments. Strategies must be reviewed regularly and revised as needed to reflect the inevitable shifts in economic conditions. It is also wise to reassess the local environment after any external shock to the economy such as increased foreign competition, new technologies or a shift in consumer demand which significantly impacts employment opportunities.

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22 Steven Covey makes this distinction in *The Seven Habits of Highly Effective People*. He says, “The amateur salesman sells products; the professional sells solutions to needs and problems.”

23 Here I am paraphrasing an April 1996 statement by Guy Shields, Vice President for Human Resources at Wilsonart Inc., describing how his firm approaches the market.
Providing Long-Term Education and Training

From time to time in the process of developing, marketing and selling services to employers, local operators will identify labor shortages that seem to warrant significant public investments in long-term education and skills training. In such situations, staff should verify and “market test” these shortages before making any such investments. This will ensure that the labor shortage is real—employer needs are not being met and individuals with the requisite skills are not already available for work but simply unaware of the existing job opportunities.

It is this demonstrated reality, i.e., employers’ inability to find qualified applicants that justifies training. If the demand cannot be so demonstrated, public workforce dollars should not be invested.

When a clear need emerges for long-term education and training, local operators should first determine if other employers in the same industry share similar needs. If this is the case, they can maximize their efforts by fostering the creation of informal associations of interested employers to develop industry-based training, rather than focusing on the training needs of a single employer. These employer training committees should be led by one or two key employers in the industry who recognize the need and are willing to include their competitors in planning, overseeing and, when necessary, providing a common training curriculum that benefits them all. In cases where education and

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24 The long-term education and training envisioned here are post-secondary, non-baccalaureate programs—normally one to two years beyond high school—that lead to an associates degree or a recognized certificate.

25 The underlying assumption here is that education and training requirements for similar occupations in the same industry will be highly correlated. Depending on the industry and/or occupation, as much as 70 or 80 percent of training might be provided in common, leaving it to individual employers to meet their own unique skills needs through on-the-job training once an individual is hired.

26 My first preference is to use proven education and training institutions rather than duplicate existing capacity. The option of allowing an employer in an industry or occupational area to function as the trainer for all employers in the group is intended to accommodate those special situations when neither public nor private providers respond to the identified need in a timely fashion.
training needs cut across rather than fall within industries, the employer training committees should be organized along occupational lines.27

Critical to establishing successful training committees is that they be controlled by employers rather than by civil servants, educators or job training professionals. Employers must lead and control the committees, and they should receive technical and logistical support from the employers services component of the local workforce system.

Working with groups of employers may take more time initially, but a number of benefits will accrue from such an approach. First, over time, the local workforce system, training providers and employers themselves should realize significant administrative and operational efficiencies by offering a single training program.

Second, this approach increases the likelihood that training graduates will find jobs by tying long-term education and training to labor market demand. It actively engages employers, the primary customers for training graduates, early in the workforce development process. Partners from the outset in designing and implementing training, they share a vision with local workforce staff of what they want to accomplish and commit to resolving any problems that arise. Functioning as members of employer training committees, they set the core educational competencies, skills standards and certification requirements; determine the curriculum specifications; take part in approving training providers; and monitor the quality of training. This level of involvement raises employers’ confidence that trainees will graduate with the skills needed on the job and assures jobs for those who do well in training.

Third, taking an industrywide or occupational approach will also provide training that is ultimately more beneficial to trainees because it is portable and increases their long-term employment prospects. Offering general training acceptable to a number of employers rather than teaching specific skills unique

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27 The strategy of organizing employers in training committees and providing long-term training along industry or occupational lines is not incompatible with the short-term, customized training for individual employers financed by the state’s Smart Jobs and Skills Development funds.
to a single employer should enhance worker mobility within industries or occupational areas, an important consideration in an uncertain economy.

Fourth and finally, this approach will protect the local workforce system and training providers from accusations that public funds are financing firm specific training that should be paid for by those employers directly benefiting from it.

Developing Economic Relationships with Employers

The approach just outlined recognizes employers as the primary customers of local workforce delivery systems and develops and markets high-quality services to meet their identified needs. If carefully designed and professionally staffed and managed, this approach will lead to new relationships between the emerging workforce system and Texas employers which are based on economic rather than social welfare concerns. These can best be described as “quality supplier/purchasing agent” relationships, with the local workforce system serving as one of several suppliers of labor market services and employers as the purchasing agents. These new relationships acknowledge economic self-interest as the primary motivation of private employers and recognize the importance of offering quality services that help them achieve their key business objectives.

In this context, a local workforce system does not try to persuade employers to participate in any one program or service to help out a particular disenfranchised group. Employer services staff do not offer tax credits or wage subsidies to induce hiring. Instead, they market high-quality services, which, among other things, might include recruiting and training qualified applicants for employers with current or projected job openings, assessing current workers’ skills, conducting task analyses and training incumbent workers.

The quality of services the local system provides and the level of trust that develops between staff and employers will determine the nature of the relationship that emerges. Carefully nurtured, these relationships based on economic realities will open the way to adding services for targeted employers.
Designing a Local Workforce Services Delivery System

and expanding the employer base as time and resources permit. This, in turn, will open access to otherwise unavailable jobs for local residents using the system’s services.

The time is right for developing these kinds of relationships in Texas. While employers have always been somewhat dependent on others for raw materials and services, increasing competition and new technologies have forced many to do more business with outside suppliers. They are now outsourcing many functions previously performed by their own employees as they transform themselves to survive in the new global economy. Increasingly dependent on their suppliers, employers are eager to build relationships with suppliers they can trust to provide high-quality services at a reasonable cost in a timely fashion.

The state’s workforce reform effort could not be more timely. This situation presents an unprecedented opportunity to break with past practices and the negative image of the categorical programs and build a mutually beneficial relationship between the public workforce system as a quality human resources supplier and Texas employers. Economics will tie the new workforce system to employers with real human resources needs, who will respond out of economic self-interest, not moral obligation. This is the missing link between traditional job training programs and the mainstream private economy.

A final note of caution: do not underestimate or summarily dismiss this approach as one already taken. It is fundamentally different from the conventional job development and placement efforts of current workforce programs. Moreover, it encompasses far more than better coordination between public workforce and economic development initiatives. Local delivery systems will continue to respond to employers contemplating a
move to their area, but this is only a small part of their mission. The vision of Texas’ new workforce system gives them a broader purpose—building ongoing economic relationships with employers that make local businesses and residents more productive and more competitive.

Categories of Employer Services

As discussed earlier, federal and state mandates require local workforce delivery systems to offer information and a basic set of labor market services to all employers in their areas. The Texas Workforce Commission has yet to specify what common information and services a local system must make available to meet the requirements of federal and state law, but they might include:

- economic and labor market information on the area, region or state, including specific wage and salary information on request;

- information and technical assistance on federal and state rules and regulations affecting employment;

- automated unemployment insurance services—tax, claims and appeals processing; and

- simple job matching services.

In addition, the Texas vision demands that local systems develop and market specialized services for key employers in targeted industries. These services will vary among industries, among employers within industries and over time as economic conditions change. They will reflect the needs, motives, outsourcing patterns and habits of area employers. Consequently, it is impossible to specify here (or in a local workforce plan, for that matter) exactly what specialized services a local system might provide at any given time. Nevertheless, identifying the major categories of employer services likely to comprise the service mix will help clarify the nature of the local workforce system’s employer services component.
The services a local system develops, markets and subsequently provides to area employers, including those contemplating expansion or relocation to the area, might include:

- testing and assessing the education, interests, aptitudes and skills levels of an employer’s incumbent workers;

- providing or arranging for education and skills training for incumbent workers;

- offering task analysis and job redesign assistance;

- providing assistance to employers forced to restructure and/or downsize their operations, including outplacement and retraining services for laid off workers;

- recruiting, testing, screening and referring qualified applicants for current or projected job openings; and

- providing or arranging for basic education and skills training for new workers, including customized training for individual employers.

Organization and Staffing Arrangements

In the system envisioned here, employer services are managed by a single entity working under contract with the local workforce board.\(^2^8\) One centrally located employer services unit holds responsibility for developing, marketing and providing labor market services to area employers. These services are provided in person and electronically in different settings throughout the area. For example, in addition to being offered at the employer services unit, services might be made available in employers’ offices, through employer associations

\(^{28}\) This may be the same entity that provides resident services for the local board, but, given the differences in customers, services and approach, employer and resident services are probably best provided by separate contractors.
and at the career development centers of the local workforce system’s resident services component. This centralized approach with decentralized service delivery should ensure employers’ easy access to the new system.

In carrying out its responsibility, the employer services unit gathers, analyzes and verifies statistical information on the local labor market; disseminates this information and provides standard services to all area employers; targets specific industries and employers for specialized services; surveys these employers to identify needs; determines the specialized services to be offered; develops and markets these services; and responds to employers’ requests by providing needed services in a timely and effective fashion.

This unit is staffed by a cadre of employer services representatives who work directly with all interested employers to meet their information and basic human resources needs. They also develop and market specialized services for those employers in industries targeted for special attention. Each employer services representative is assigned to work with one or more employers in a single industry group, thereby providing personal attention and services—a need often identified and clearly preferred by many Texas employers. To the extent feasible, these staff members should function much like account executives or brokers and represent the interests of the employers they serve.

As the lead staff contacts between employers and the local delivery system, employer service representatives are always “on point,” providing quality information and services to help area employers achieve their business objectives. In this pivotal role, they are directly responsible for developing and maintaining the quality supplier/purchasing agent relationships that will better serve employers and job seekers alike. They either provide services themselves (relying heavily on the information and
resident services capabilities of the local system) or broker the services of other quality providers, whichever best meets a particular employer’s needs. Employer services representatives are also responsible for identifying the long-term education and training needs of employers.

Employer services representatives receive support from labor market analysts and occupational skill specialists with technical expertise in task analysis and job restructuring. When developing long-term industry training programs, they also get help from curriculum design specialists and other professionals in the system, as necessary.

Particularly in those local areas where employer and resident services are provided by separate contractors, the marketing and selling activities of the employer services unit must be carefully coordinated with the “production” activities of the resident services component. It is the resident services component—with its electronic access and networks of career development centers and education and training providers—which produces many of the services marketed to employers. The employer services unit must rely on its complementary component to deliver on its commitments. These two arms of the local delivery system must work hand in hand to achieve the level of service integration necessary to meet the needs of both area employers and residents.

Accessing Information and Services

The interdependence of local systems’ service components gives employers a number of different avenues for accessing the information and labor market services they need. They can contact the local workforce board and the employer services unit in person, or by telephone or computer. Though unlikely, they may also visit one of the local career development centers providing workforce services to area residents. Some employers will be called on by employer services representatives marketing and selling specialized services.29

29 This approach departs from the conventional wisdom that employers need and demand a single point of contact with their local workforce system. In my view, this is a misunderstanding of employer concerns. Rather, I believe they want to relate to a single public system, not many
The key difference here—what changes under an integrated approach to providing workforce services—is that regardless of how or where they make contact, employers connect with the same system, not one of several unrelated programs. Furthermore, the same system that gives them access to common information and a basic set of labor market services also provides additional specialized services, which they can request as needed.

Making information and labor market services available on line is critical to employers and residents alike. Developing this capability locally and statewide is essential to the success of Texas’ new workforce system. Its potential is virtually unlimited. Not only is it faster, more efficient and more effective to do business electronically, it is also the only feasible way for the new system to implement the first guiding principle, universal access. In the current environment, when the demand for services is increasing at the same time the federal government is reducing funding for workforce services, only electronic technology can make good the promise of universal access.\(^{30}\)

The Service Process

Although the integrated system gives all employers equal access to the same information and basic labor market services, they will use the system differently because each has distinct interests and needs. Recognizing this, the local delivery system must customize even its basic services to individual employers and/or industry groups. One way to describe the service process envisioned for the new system is to group employer services by level of intensity and describe the types services available and how they might be accessed at each level.

**SELF-HELP SERVICES**

...
The majority of employers will most frequently contact the local workforce system to get general information or use basic job matching services such as listing job openings and soliciting referrals. While some may go through an employer services representative or visit a career development center, employers with computers will probably access self-help services on line, through employment bulletin boards, talent banks, resource libraries and other information networks.

Once the electronic system is operational, employers will be able to get many services directly. Without leaving their desks, they will be able to access economic and labor market information; review wage and salary data; solicit applicants for job openings; search talent banks; review résumés; down load and administer assessments of their current employees’ skills, interests and aptitudes; and schedule job interviews. Most will never visit the employers services unit or a career development center.

Employers without computers will be able to access the same information and many of the same services by touch tone phone or through computerized kiosks located throughout the area. They might also use the on-line capabilities of the local chamber of commerce, economic development entity or the closest career development center.

Self-help information and services are capital rather than labor intensive. Developing the capability to provide the services envisioned at this level will require a significant up-front investment in comprehensive labor market information and an electronic infrastructure as well as ongoing expenditures of much smaller amounts to maintain and update such a system. These systems building investments would be more appropriately made at the state level rather than in each local workforce area because of Texas’ strong self-interest in creating local systems that are compatible with larger statewide, national and international systems serving the needs of employers.31

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31 At this writing, insufficient attention has been given to developing the electronic capability of the state’s new integrated delivery system and its supporting labor market information component for both employers and residents.
Once these initial investments are made, self-help services could be provided at relatively low cost by local systems since no local staff would be directly involved in their delivery. Accordingly, these services should be made available to all employers free of charge. Those wanting additional information or services would find the name and phone number of a contact person (an employer services representative at the local employer services unit) at the end of the service menu.

**SPECIALIZED SERVICES**

Some employers may simply prefer receiving the services described above from an individual rather than a machine. Others will be interested in more specialized information and intensive services than those generally available through the self-help system. They may want employer services staff to perform some of their regular personnel functions such as testing current workers’ interests, skills and aptitudes; recruiting, testing and screening job applicants; or providing outplacement assistance to workers who are being laid off. They might also want special wage and salary surveys or other information not regularly available to area employers.

Providing information and labor market services at this level is clearly more labor intensive and expensive than at the self-help level. Requests for specialized services that can be met with existing information and service capability should, however, be provided free of charge. Employers should pay for any specialized services requiring the generation of new information or demanding staff resources beyond those needed to carry out the regular responsibilities of the local workforce system (if, for instance, they want customized screening, testing and referral services; employee profiling; or task analysis).  

32 These investments could be made from federal unemployment insurance taxes paid by Texas employers and returned to the state to provide employment services.

33 Charging for services is an essential feature of the state’s new workforce system, especially in this era of increasing demands and declining federal funding for workforce services. But charging some employers for services that seem similar to those other employers receive free of charge could create serious problems in the system’s primary customer base. Service and fee guidelines need to be carefully developed and published well in advance of their use.
Initially, interested employers will gain access to specialized services through the same avenues they use for the self-help services. Their special needs will quickly lead them to the appropriate employer services representative.

COMPREHENSIVE SERVICES

A unique set of more elaborate and expensive labor market services will be developed to address the needs of employers in industries targeted by the local workforce board—employers already located in the area as well as any considering moving in. In addition to the services described above, these employers may be offered services such as training for incumbent workers, task analysis and job design assistance, help with workplace restructuring efforts, and assistance developing education and training programs for new workers. As appropriate, logistical and technical support will also be provided to industry training committees (described earlier and again below) as they set specifications and oversee long-term education and training programs for new workers.

Comprehensive services will be available to those employers with verifiable labor shortages in high-skill, high-wage occupations that can best be met by educating and training more workers.\(^{34}\) The employer services unit will target industry groups and key employers for these intensive services using the latest information on economic growth and labor shortages in the local area, including statistical data, interviews with employer associations and local economic development groups, and surveys of individual employers. It will gain access to these employers by providing high-quality self-help and specialized services and through the aggressive marketing efforts of employer service representatives.

Employer services representatives will meet with employers in each targeted industry to identify their human resources needs and problems. These

\(^{34}\) Training is not always an appropriate solution to a labor shortage. In some cases, an adequate supply of trained workers may already be available, but other factors such as a lack of information, low wages or poor working conditions create the problem. That is why careful labor market analysis and a verification of the need for training should precede any investment in additional education and training for a specific occupational area.
meetings will take the first steps toward building the quality supplier/purchasing agent relationships described earlier that are essential to integrating a local workforce system’s training efforts with labor market demand. With these relationships come the entrées to verify labor shortages and jointly develop appropriate solutions.

When education or training is determined to be the most appropriate solution to a verified labor shortage, local workforce staff and employers will work together to design the training and oversee its delivery. They will establish informal industry-based training committees to set educational competencies, skills standards, curriculum specifications and certification requirements for each occupational area selected for training. Recognizing employers as the lead customers in the local workforce system and making them active participants from the beginning increase the likelihood they will hire graduates of the training programs.

Providing comprehensive services, particularly long-term education and training, requires a significant investment by the local workforce system. They are clearly the most labor intensive and expensive of all employer services. Nonetheless, to the extent possible, they will be offered at no cost to high-wage employers willing to work together to design education and skills training programs with industrywide application.

35 As mentioned earlier, there may be cases where local employers group better along occupational rather than industry lines. While I have a clear preference for working with employers by industry group, I encourage occupational alignments where appropriate. The idea is to provide as much training as possible in common.
Individual employers, on the other hand, will be expected to pay for some or all comprehensive services they receive. As with the specialized services described above, service and fee guidelines must be carefully developed and published well in advance of their use.

**Related Human Resources Issues**

Building the employer services component and creating the capacity to develop, market and provide employer services as described here raises important staffing and training issues for local workforce systems. Staff working directly with employers must be well-trained, experienced professionals who know the targeted industries, speak the language of private employers, have assessment and diagnostic skills, recognize their own limits and know where to find expert resources to help them do their jobs. They need to have backgrounds in business, industrial/organizational psychology or quantitative analysis.

Since few public job training and employment programs have offered employer services at all, much less programs of the sophistication envisioned here, it is unlikely their staffs will have the mind set, experience or skills to build the customer base and deliver employer services effectively. Some personnel may have the basic interests and aptitudes to be trained over time, but most of the new system’s employer services staff—especially the employer services representatives—will have to be recruited from outside the categorical programs, preferably from the private sector. These are high-value added positions critical to linking the system with employers. When possible, these staff should be recruited from those industries targeted for a local system’s special marketing efforts.\(^{36}\)

\(^{36}\) Recently retired executives from key employers in the targeted industries should be considered prime candidates for the employer services representative positions.
Compensating Employer Services Staff

Moving to the delivery system envisioned here will require doing business in a different way, including changing the way local service delivery staff are compensated. Staff in the new system, particularly those providing direct customer services, must have some part of their earnings tied to performance. In the case of employer services staff, performance would be tied to the amount of business they generate.

“People who come to see me representing government don’t aggressively pursue my business,” said the representative of a large Texas employer recently. Underlying his observation is the fact that the job training staff who have visited him make the same amount of money whether they “sell” him or not.

Building performance incentives into the new workforce system is critical to its success and to changing employers’ opinions of public job training initiatives.

Financing Employer Services

As envisioned here, the employer services component is not only new, it is the lead component in the local service delivery system. It is the linchpin that secures public workforce services to the human resources needs of employers and replaces the job development and placement efforts of traditional training and employment programs. While academics and practitioners alike recognize its strategic importance, the question of how to finance employer services arises immediately. This question is particularly relevant in the current environment, when the demand for existing services is increasing, resources are decreasing and local areas are struggling to build integrated service delivery systems with categorical funding.
Though state legislation requires that local delivery systems include an employer services component, it earmarks no specific workforce funds for employer services units or for the critically important information and labor market services they are supposed to provide. As such, requiring this element represents an unfunded mandate, particularly since the promise of block grants has not been kept. There are, however, a number of potential funding sources for employer services, but many different interests will be competing for same dollars. State and local workforce officials will have to make a strong case to get any portion of available funds committed to employer services. They may also have to secure waivers from one or more of these funding sources in order to provide the full range of employer services described here. Given the critical importance of employer services to the overall success of the state’s new workforce system, they should pursue these waivers relentlessly.

Federal funds provide the first and most obvious source of support for employer services. Much of the labor market information, all unemployment insurance services and most basic job matching services designed to help employers find qualified applicants and workers find jobs could be supported from federal appropriations to the state employment security agency, now the Texas Workforce Commission. In addition, federal funds for JTPA services, particularly those supporting job development and placement activities, could be used for employer services.

State discretionary funds from both sources could be set aside to support the delivery of employer services at the local level. For example, discretionary funding available to the governor (Wagner-Peyser 7b funds) might be used for this purpose, as might state discretionary funding for services to dislocated workers under Title III of JTPA, also known as the Economic Dislocation and Worker Adjustment Assistance program. Though relatively small, JTPA funds earmarked for education coordination offer another possible means of supporting employer services at the local level. Finally, local workforce systems

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For employer services to be provided in the manner and of the quality envisioned here, the TWC must formula allocate funds for employment services to local areas as required by state law. Without this added flexibility, the local system will not be able to either provide effective employer services or follow the guiding principle of offering residents universal access to services.
could allocate some or all of their incentive bonuses, the money they receive for having met their JTPA performance standards, to providing employer services.

A second major source of funding for employer services lies within the state. Two new programs, the Smart Jobs Fund and the Skill Development Fund, presently financed at more than $50 million annually, offer a mix of services to employers relocating to Texas or expanding existing operations in the state. These services include training and retraining for incumbent workers as well as customized education and training for new employees. Unfortunately, both programs are state operated and they are currently administered by different agencies. As state administered programs, neither is integrated in the new state/local workforce system as most other workforce programs are and as they, too, should be.\(^{38}\) If the state is truly committed to a decentralized workforce system, it should formula allocate the bulk of both funds to local areas, where economic development actually occurs.

Nevertheless, proposals for Smart Jobs and Skills Development funding can and do originate at the local level. Nothing prevents a local workforce system, specifically the board and/or employer services unit, from joining with area employers and training providers to develop proposals supporting local services. Though more cumbersome to access than they should be, these two programs represent major opportunities to better serve local employers and residents.

\(^{38}\) North Carolina’s centralized approach to customized training was oversold to Texas policy makers. An approach that worked well in a small state will not necessarily succeed in a state the size of Texas. The differences are simply too great. I am hopeful the next Legislature will integrate these highly similar programs in the Texas Workforce Commission and require that they be administered on the same state/local model as other workforce programs; 20 percent of the funds available for training and economic development activities would be reserved at the state level while 80 percent would be formula allocated to local workforce areas, where employers do business and most economic development activities actually take place. As it is, the Skills Development and the Smart Jobs funds both channel monies directly to community colleges and technical institutes, bypassing the newly established local workforce boards and creating separate delivery mechanisms that compete with each other as well as with the new state/local workforce system. Maintaining them as autonomous programs detracts from the state’s effort to build a single integrated workforce delivery system and further contributes to confusion at the local level and to employers’ general frustrations about there being too many government programs.
Fees for service represent a third source of potential funding for employer services. Accustomed to paying for information and services, employers are willing to do so as long as the services they receive are high-quality and provided at competitive rates within specified time frames. Since the new workforce system must diversify its funding sources to become less dependent on government, it makes sense to charge employers for some specialized and comprehensive services, as suggested earlier, and use the proceeds to maintain, improve and expand employer services.

A final note to local boards and their system designers: while it does not define or specify the kinds of services to be provided, state law (H.B. 1863) requires local delivery systems to include an employer services component. This requirement could be used to pressure state officials into identifying and earmarking federal and state funds to help local systems carry out their legally mandated responsibilities.

**Key Features of the Employer Services Component**

The employer services component described here represents a radically different way of relating to Texas employers and providing labor market services to meet their human resources needs. A recap of the main features of an integrated approach follows:

- It is driven primarily by economic rather than social welfare considerations.

- It recognizes employers as the primary customers of the new workforce system.

- It provides high-quality information and a standard set of basic labor market services to all employers.

- It aggressively markets specialized labor market services to key employers in industries targeted for special attention.
• It builds quality supplier/purchasing agent relationships with employers based solely on the quality of services it provides.

• It recognizes ongoing relationships based on trust as the most effective way to link public labor market services with employer needs and open avenues to otherwise unavailable high-wage, high-skill jobs for many area residents.

• It makes employers the lead partners in the design and delivery of long-term education and occupational training.

• It provides employers multiple points of contact but gives them access to the same information and basic services regardless of where or how they contact the system.
RESIDENT SERVICES

Resident services comprise the second major component of the integrated local service delivery system envisioned in state legislation and proposed here. As alluded to previously, this component serves two functions. On the one hand, it offers information and basic labor market services to area residents looking for jobs or education and training opportunities to improve themselves and their families economically. On the other, it functions as the production arm of the employer services component, producing several of the key services marketed and sold by employer services staff with the help of its affiliated service providers. When an employer looking for workers contacts the local system, it is the resident services component that recruits, tests, screens and refers qualified applicants. When the employer services component verifies a need for workers with better education and skills, it is resident services staff who manage the training process. In both cases, employer and resident needs are simply different sides of the same coin. Providing these services benefits residents and employers simultaneously.

Five of the eight guiding principles set out early in this paper apply to resident as well as employer services, specifically universal access, strong customer orientation, the services first philosophy, the systematic approach to service delivery that offers open access and individualized services, and the commitment to continuous improvement. In keeping with these principles, the resident services component should manifest the philosophy that all people have a right to the best information available when considering their labor market options. They deserve to be dealt with honestly regarding what can be done for them and what they must do for themselves. Coming in contact with the system should empower them to take responsibility for and

39 Though the emphasis here is on a local service delivery system, access to information and services is not limited to those living in a given geographic area. As part of a statewide, perhaps even national system, it offers individuals from outside the area access to the same information and many of the same basic services.
accept the consequences of their decisions. Only under these circumstances can individuals make thoughtful, well-informed decisions about their futures.

In the interest of fully informing residents, local systems should distribute a “right to know” document to all individuals when they first make contact that includes the system’s guiding principles, the results of the latest customer satisfaction surveys, the results of any performance reviews of local education and training providers, and a statement of customer rights.

Of the two components that make up an integrated local delivery system, resident services is the most familiar. Even so, as envisioned here, it differs markedly from traditional approaches to providing job training and employment services, including most “one stop” models currently being seeded across Texas with U. S. Department of Labor funding. The following discussion highlights these differences.

**Categories of Resident Services**

Like employer services, resident services are customized to meet individual needs, so it is impossible to predict the exact mix of services a local workforce area might provide. All local systems, however, are likely to offer general labor market information and a basic set of workforce services widely and to limit more intensive and more expensive services such as in-depth assessment, personal counseling, and long-term education and training.

The range of information and labor market services available to all area residents will probably include but not be limited to the following:

- labor market information, including detailed information on education and training providers, the services they offer and their latest performance data;

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40 Consistent with the principle of a demand-driven delivery system, individuals’ labor market needs are considered derived needs, defined within the context of labor market demand as reflected by employers’ current or projected human resources needs.
Designing a Local Workforce Services Delivery System

- results of the most recent customer satisfaction surveys on the local system itself and its service providers;

- job matching or matching individuals to education and training services;

- unemployment insurance services, including the capability to file claims electronically;

- career exploration and counseling;

- job search assistance, including résumé writing, interview skills and ongoing support for group- and self-directed job placement efforts;

- independent testing and assessment of individual needs; and

- employment assistance, including access to the latest labor market information, telephones, computers, printers and fax machines.

Local systems might provide each service listed above at more intensive levels for residents who need the most help. Other intensive services might include:

- determining the eligibility—utilizing a single, integrated process—of those receiving long-term education and training services for various forms of federal and state financial assistance, including student grants and loans (both public and private) and the various support services of other programs;

- arranging support services, including child care;

- referring residents to appropriate education, training and/or other labor market services;
• offering centralized case management and personal counseling, primarily for those receiving long-term education and training services; and

• providing follow-up services once an individual is employed, such as continued counseling, peer support groups, child care or financial assistance.

**Organization and Staffing Arrangements**

As envisioned here, resident services are provided by a single entity working under contract with the local workforce board to operate a network of career development centers and implement an electronic capability to serve residents anywhere in the local area.\(^{41}\) This parallel structure ensures that residents get the same information and services whether they relate to the local workforce system electronically or in person. Many who access the system electronically get all the assistance they need through the self-help menus. Others—those who want personal assistance or who need more intensive services and/or financial assistance—are served through one or more of the career development centers.

In addition to providing labor market information, immediate job placement assistance and the same basic labor market services available electronically, the career centers offer testing, needs assessment, career development planning (including identifying potential sources for financial assistance, when needed), and centralized counseling and case management. They make referrals to affiliated service providers for education, training and support services as well as provide job placement and follow-up services to trainees and graduates, as appropriate.\(^{42}\)

The entity providing resident services also functions as the production arm of the local workforce delivery system and needs strong management and service delivery capabilities. Staff with experience in both areas already work in

\(^{41}\) Though they are not options I prefer, a local workforce board may select more than one entity to operate its network of career development centers or a single entity to provide both resident and employer services.

\(^{42}\) State law prohibits the entity providing resident services (i.e., operating the career development centers) from providing education and skills training services without a waiver.
the traditional job training and employment programs being merged into the new delivery system. They are important to the success of the new system and should be retained for their knowledge and retrained to help them function effectively in Texas’ integrated delivery system.43

Most of these staff members have spent their professional lives working in categorically funded programs. To make the transition to an integrated delivery system, they will need intensive retraining immediately, not so much to learn the professional or technical aspects of their new jobs as to make the paradigm shift required for success, their own and the new system’s. They will need help changing themselves and their world view so they can work effectively in a customer oriented workforce system driven by employer needs and offering universal access. They must relinquish power over the lives of their customers and learn to relate to them as equals, not as needy dependents reliant on government to “fix” their problems. Most front-line workers will not know how to treat individuals as customers, people with rights and resources, or how to serve them in a way that supports their personal development and encourages them to take responsibility.

For example, the integrated approach treats all residents who contact the system as potential paying customers and gives them information and access to all available workforce services, even those outside the direct control of the local board. Some services are provided free of charge, others are available only at a cost. Some residents can pay their own way; others, who cannot, may be eligible for various forms of financial assistance which cover or defer payment on these services. Those who can will be expected to pay for some or all services they receive. Managing the service process as a fluid mix of customers, services, service providers and financial arrangements frees up career center staff to function as advocates for those seeking assistance. Providing services, however minimal, in response to a person’s immediate needs becomes staff’s first concern, not determining an individual’s eligibility for a particular program or some form of financial assistance.

43 House Bill 1863 recognizes the importance of retaining professional and technical expertise in local service delivery and requires that former Texas Employment Commission staff be given preference for employment at the local career development centers. Such consideration should also extend to other state agency and local staff working in programs being consolidated in the new delivery system.
Shifting to this services first approach will require excising some deeply entrenched mind sets, changing attitudes and behaviors, and rescripting the interactions between workforce staff and resident customers.  

Accessing Information and Services

Information about the new workforce system and resident services should be broadly disseminated throughout the local area through public relations and advertising efforts, including a home page on the Internet. In addition, special marketing efforts should target individuals with multiple barriers to employment who need intensive labor market services. To ensure that these special populations are made aware of the opportunities and included in the new system, resident services staff should work directly with public schools, social service agencies, churches, community-based organizations and community leaders.

Individuals interested in workforce services can access the new system in a number of ways. At the broadest level, they have electronic access, just as employers do, and can use personal computers to find the latest information and receive basic labor market services. For example, without leaving their homes, they can review current job listings, do their own skills and interests assessments, register with one or more talent banks, send résumés and apply for jobs. Residents without computer technology can get information and a more limited set of services by touch tone phone.

Once the new delivery system’s electronic capability is fully implemented, residents will also have access to information and services through a network of computerized kiosks dispersed across the area. Until then, individuals who need more help than they can get by phone will be served at the strategically located career development centers or by school counselors, in the case of students.

Implementing the approach envisioned here requires a front-end capability to provide information and basic labor market services without regard to an individual’s income, assets or labor market status.

The resident services component proposed here serves students and adults alike. Wholly integrated, it is based on the view that workforce development—all learning for that matter—is
Like employers, individuals get the same information and labor market services no matter their point of access, how or where they contact the system. All access points provide immediate information and basic services, but the full range of intensive labor market services is available only through the career development centers and their affiliated service providers. As was the case with employer services, universal access does not guarantee that all services are available to all residents or that all residents will receive the same services. Eligibility requirements as well as budget realities restrict access to intensive, higher-cost developmental services, particularly among those who require financial assistance to participate.

Unlike current programs, however, which immediately subject residents to a process rather than provide them a service, the career centers envisioned here put services first and feature a personal, not an institutional approach. On first contact, residents are not simply processed for further consideration at a later date. Rather, they receive information and/or a service, however minimal, and a referral for additional assistance, if needed.

**The Service Process**

Like employers, individuals need different kinds of services, and they are likely to use the system in different ways at different times. The resident services component must accommodate these differences by offering a seamless sequence of services that can be customized to individual needs. It must feature a flexible, customer centered approach that quickly responds to a continuous, lifelong process that ought not be segmented by age, institutional affiliation or labor market status (i.e., youths vs. adults, youths in school vs. youths out of school, employed adults vs. unemployed adults).
changing labor market conditions and meets the service needs of both youths and adults. As is the case with employer services, what resident services a local system might provide at any time cannot be predetermined.

The service process described here is designed to help individuals find jobs or make career decisions that enhance their prospects of employment once they complete their formal education and training. Adults already in the labor market will use the local workforce system to find or get better jobs. Most are likely to require only good information and minimal labor market services, while those who can’t find the kind of job they want will be good candidates for more intensive services. Young people, on the other hand, will probably use the system to explore career alternatives, choose an education and training sequence that best prepares them for their chosen career, and/or find part-time employment while they are developing their knowledge and skills. Both adults and youths are likely to use the system many times during their learning and working lives.

The concept of levels of service is useful here, too, to describe the service process and the kinds of services a local system might make available to area residents.46

SELF-HELP SERVICES

Most residents will contact the service delivery system looking for a job or readily available information and labor market services to help them make a career decision. All the information and services most individuals will need to explore options and make better-informed choices will be electronically available through a variety of user friendly, self-help systems in their homes, schools, libraries and shopping malls or at the career development centers located throughout their area.

A wide range of labor market information and basic services will be offered at this level. Residents will be able to get information on current job

[46 See McPherson (1995), The Dallas Workforce Demonstration Project: Concept Design for a more detailed discussion of a similar resident services process.]
opportunities, identify industries and occupations growing rapidly in their area, and generate occupational profiles describing the jobs they are interested in and specifying the education, skills and experience required for entry level jobs in their chosen field. Employer profiles describing the organizational culture and employment practices of businesses where these opportunities exist will also be available.

With this information in hand, residents looking for immediate employment can review openings listed in the job bank, file an application electronically or contact the business in person. They can also register with one or more talent banks and check regularly to see if any employers have solicited their application. Recently unemployed workers can use the self-help services to file unemployment insurance claims and explore retraining options as well as to look for new jobs.

Residents interested in further education and training can use self-help services to explore careers, assess their current education and skills levels and decide on a course of action. In addition to career information, they will have access to a listing of all education and training providers in the area that includes the programs they offer, their most recent performance data and the results of customer satisfaction surveys. Services at this level will also include information on a number of workforce related services (i.e., the location of approved child care facilities, public transportation routes and schedules, access points for social services and information on student loans).

It is important to note that all these services are intended for a broad audience, not just adults and not just people already in the labor force. Youths of all ages, whether they are in or out of school, will be able to use interactive videos to consider career options. Using computers in their schools or at the nearest career development center, they will have access to automated self-assessment modules to determine their interests, educational competencies and skills levels. By comparing their profiles with occupational skills requirements, they will be able to identify jobs for which they are presently qualified as well as determine how close or how far they are from meeting the qualifications of entry level jobs they might prefer. They can also get information to assess future employment and earnings prospects in career fields related to those jobs. With
little or no help from a school counselor, students will be able make decisions and map out appropriate courses of study. 47

The objectivity of these self-help services is critical to the integrity of the delivery system, the quality of the information provided and the accuracy with which it reflects the needs of the labor market. They should be provided by staff other than those employed by the schools, and the range of education and training options offered to students should extend beyond those available at the institution they attend. Nor should the range of students’ choices be limited by the labor market needs of the local area. This is particularly important in rural areas of Texas, where there may be few opportunities for good jobs.

Residents without electronic access at home or in school will contact the local workforce system through the computerized kiosks or by visiting one of the career development centers. At the career centers, self-help services will be offered in a clearly designated information/resources area. Individuals will be made aware of its existence when they enter the center, and they will have access to it without having to sign in, provide personal information or go through a formal processing activity of any kind. These areas will operate much like computer assisted libraries, with resource persons available to help individuals having problems accessing information and services on their own.

Most people served by the resident services component proposed here will use self-help services without ever visiting a career development center. Whatever their point of access, however, they should encounter no eligibility requirements based on income, assets, labor market status or participation in

47 Students working alone or with parents and/or a guidance counselor will likely go through this kind of self assessment, career exploration and planning activity numerous times and at increasing levels of specificity as they move through and beyond the formal educational process. This opens the possibility that self-help services might be construed as outreach—a cost now allowed by some federal funding sources.
some other government program. As is the case for employers, all self-help information and services should be free and readily available to everyone, so they must be funded from sources that do not impose specific eligibility requirements.48

**SPECIALIZED SERVICES**

A significant number of residents are likely to have labor market, education or training needs that cannot be adequately met with self-help information and services. They may have been unable to find a job or access the career related services they need on their own. Others in obvious need of personal assistance may walk in or be referred directly to a career development center. Whatever the case, specialized services are distinguished from self-help services by the active involvement in the service process of professional staff at a career development center.

Center staff will personalize self-help information and services such as basic needs assessments, career exploration activities, career counseling and job placement. They will also provide more intensive services such as life skills, structured job search assistance (including preparing résumés, honing interview skills, building self-esteem and developing peer support networks) and short-term customized training. In keeping with the local system’s services first commitment, staff will immediately begin to address any personal, family or financial needs that must be resolved before an individual can effectively avail him- or herself of the above services.

While this service level features personalized assistance, resident services staff will encourage individuals to assume increasing responsibility for helping themselves. For example, those looking for work will be taught job search skills as well as how to establish a job club of their peers. Staff will provide limited

48 The state’s workforce system needs the capability to charge self-help and specialized services to the appropriate funding sources when the individuals receiving such services are later found eligible for some form of financial assistance. This will require identifying and tracking costs by unit of service provided and will no doubt also require federal waivers to retroactively charge any costs incurred before an individual was officially determined eligible for such funding.
technical and logistical support while job hunters conduct their own searches and run their own job clubs and support groups.

Students making education- and career-related decisions will also have access to specialized services. These intermediate level services, however, will be tailored more to their special needs (i.e., placing less emphasis on job search assistance and more on career exploration, educational options and sources of support for completing their educations). Specialized services will be made available to students by augmenting the assessment and counseling capabilities of the schools and by providing students direct access to the career development centers. At this level, school-based counselors or mentors will function as student advocates, working with individual students to help them fashion an appropriate course of study.49

Although many of these services can be provided in group settings, their staffing and other resource requirements make them significantly more costly than those offered at the self-help level. Nonetheless, specialized services should also be provided at no charge to area residents and made available without eligibility requirements of any kind. In cases where individuals request services beyond those normally provided, they should be asked to pay. As is the case with self-help services, specialized services must be financed from sources that do not impose the eligibility requirements of the categorical workforce programs.

**COMPREHENSIVE SERVICES**

Many residents having difficulties in school or in finding a suitable job will not be able to take advantage of the self-help and specialized services described above because their special needs are so great. To function effectively in the

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49 The local workforce delivery system proposed here requires a strong interface between the resident services component and educational institutions, but an important distinction must be drawn between the two. Assessments of students’ interests and aptitudes as well as career counseling should be provided by staff of the resident services entity, not of the educational institutions. Such a requirement ensures an independent assessment of student needs and broadens their options beyond those available at any one education or training institution or in any single labor market area.
mainstream economy, these individuals need intensive developmental services, particularly basic education, long-term skills training, work readiness skills and an extensive orientation to the culture of work.

Comprehensive services are designed to address these needs. While only a few new services are added at this level, they are relatively expensive and require significant financial investments in each individual served. Some residents may be able to obtain these services using their own resources, but most will need public or private assistance to get the services they need. Unfortunately, the dearth of public resources and the eligibility requirements imposed by government will limit access for members of the latter group, by far the larger of the two.

Given this reality, the process for accessing comprehensive services will differ significantly from that of the two others. First, those individuals who need financial assistance will go through a single, comprehensive eligibility determination process to identify potential funding for their education and training activities, including the support services necessary to allow them to participate in and complete the course of training they choose. Next, they will undergo intensive testing of their basic skills, aptitudes and interests and an initial in-depth assessment of their needs. This objective assessment will be made without considering the education and training services currently available in the area, and it will be made by career center, not service provider staff.

Career center staff will use the results of these testing and assessment activities to lead candidates for long-term training through a structured information gathering, counseling, planning and decision making process to determine the feasibility of their enrolling in such training and the likelihood of their success. For individuals suited for training, the result will be a mutually negotiated career development plan outlining the sequence of education and training as well as the mix of support services and financial assistance needed to make him or her employable in an occupational area with an actual or projected labor shortage.

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50 Again, see the concept design for the Dallas Workforce Demonstration Project, particularly pp. 44-80, for a more detailed discussion of a similar service process.
51 Those not needing financial assistance will, of course, skip this step in the process.
Once the career plan is agreed upon, center staff will identify the resources required to implement it and, in effect, commit those resources to the individual, who is then encouraged to seek training from one or more preapproved providers. To help them make this decision, individuals will be given the latest information on available service providers: their graduation and placement rates, the earnings of recent graduates and the results of any customer satisfaction surveys. This alone—giving individuals the knowledge and resources to make informed decisions—will significantly increase the effectiveness of the local delivery system by subjecting education and training providers in the area to market forces as they compete for well-informed customers.

Comprehensive services will encompass more than education and skills training, however. Individuals will have access to professional counseling in both individual and group settings. They will actively participate in objective assessments of their interests and needs, they will work with a single counselor, and they will be linked with a single client advocate (case manager) to monitor their progress and help them navigate the labyrinth of service providers. As individuals make progress toward their educational goals, they will have access to self-help and specialized services to help them find jobs. They will also have access to follow-up services for a reasonable period after they find a job to help them stay employed.

A less elaborate process will tailor comprehensive services to the needs of students in regular school settings, targeting those with difficulties and at risk of entering the labor force without the education and skills they need to become economically self-sufficient.
Unique Aspects of Comprehensive Services

Several aspects of the comprehensive services clearly distinguish the integrated delivery system proposed here from traditional approaches.

1. Centralized services. Like self-help and specialized services, comprehensive services feature common access to all workforce development services available in a local area. The system’s so-called “front-end” services such as outreach, intake, testing, needs assessment, eligibility determination and referral—typically provided by each separate service provider—are centralized at the career development centers.

2. Independent assessment. Comprehensive services call for an in-depth, independent assessment of each individual’s labor market needs by center staff, who have no vested interest in any local education or training provider. Done without considering current services, excess capacity or the capabilities of existing service providers, these assessments define residents’ needs in terms of labor market demand (i.e., the human resources needs of employers), not the institutional needs of local education, training and support services providers.

Such an assessment capability is critical to providing quality services to meet an individual’s real labor market needs. It is also important in other ways, adding integrity to the process and credibility to the delivery system. Ensuring objectivity and eliminating any bias toward the special interests of service providers is particularly important in a delivery system where providers operate under performance-based contracts and compete for funding. Specifically, it sidesteps the too common scenario of a service provider’s concluding that an individual needs the services it offers rather than assessing his or her needs in terms of labor market demand and the prospects for productive employment after graduation. It also prevents the “creaming” of training candidates who

52 Recall that state law prohibits the entity operating the career development centers (and the supporting electronic access system) from providing basic education and skills training unless the local workforce system receives a waiver from the state. This requirement effectively separates the assessment process from developmental services.

53 This problem arises in part from the way public community colleges and technical institutes are funded in Texas. While attention to the labor market success of their graduates is increasing, these institutions continue to receive funding based on a contract-hour reimbursement system, which rewards enrollments rather than successful job placements or continued training.
are most likely to succeed, while others with lower probabilities of success are referred to providers’ competitors, regardless of the individuals’ service needs.

An independent assessment capability will also help local workforce systems build reliable databases of resident needs—at least of those applying for comprehensive services—which will be useful for planning services that accurately reflect the needs of area employers and residents.

3. **Consumer power.** The comprehensive services process provides information and ties resources to individuals who need financial assistance before referring them to providers for intensive services. The dollar amount committed to residents will depend on the cost of implementing their career development plans, their ability to share in those costs and their eligibility for financial assistance.

This has important implications for both residents and service providers. On the one hand, providing information and committing dollars to individuals immediately empowers them. It transforms them from passive program clients into well-informed consumers of workforce development services. Individual service providers no longer control information or access to the services residents need to find jobs.

On the other hand, providing information and tying dollars to individual residents introduce competitive market forces into the service delivery process. Local service providers have to compete with one another for workforce funding, forcing them to become more responsive to consumer needs and provide better services. Enfranchising residents takes control of the local workforce system and the services it offers away from the education and

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54 This approach is significantly different from training vouchers and individual training accounts now popular in some circles. It purposely falls short of a voucher system, which gives all who qualify a fixed amount of money, and of individual training accounts, which can be used solely at the discretion of the individual for education and skills training. While this approach commits resources to individuals, it does so only after they receive intensive assessment and counseling and work with center staff to develop a plan for education and training in an occupational area where there is high probability of their finding a career with good opportunities for advancement.

55 In economic terms, this move alone transforms resident needs and desires into “effective demand.”
Designing a Local Workforce Services Delivery System

training providers. It replaces current supply driven programs with a demand driven system, consistent with the third guiding principle of an integrated delivery system. As one nationally recognized researcher argues, “If customers are well-informed regarding options, the training institutions, costs and labor market demand, they will bring services, including vocational education offerings, in line with employment opportunities” (Grubb, 1992).

Committing resources to individuals has major implications for the way local service providers are funded. The long-standing practice of issuing requests for proposals and awarding funds to selected contractors to operate self-contained job training programs is no longer appropriate. Under the new, integrated system, workforce boards contract for the operation of the employer and resident services components, but education and training services will be purchased on an individual basis, as needed. No longer will presumptive deliverers hold exclusive rights at this level in the delivery system. Local education and training providers and the vendors offering support services of various kinds will receive workforce funds based on the number of individual referrals they effectively serve.\(^5^6\)

This change also impacts community-based organizations, especially the smaller ones which have depended heavily on cost reimbursement contracts awarded in advance to underwrite their local operations. Without other, more predictable and more stable funding, they will have difficulty surviving in this new environment, which clearly favors more diversified, independent and well-established training institutions—public and private.

Finally, tying resources to individuals changes the way federal and state workforce funds are viewed. Whether they come to the local level categorically, as they do now, or in one or more block grants, they will no longer be identified with distinct programs, administrative structures and staffs. By funding a seamless sequence of workforce services for eligible residents, each federal and state funding source functions more like a bank account with a balance that can be drawn down based on a customer’s eligibility and needs and the

\(^{56}\) Nor should funds be released solely on the basis of individuals served. A significant amount should be held back until the individuals served complete training and find and retain high-skill, high-wage jobs.
appropriateness of available services. While a single block grant would be preferable to a number of separate categorical accounts, local systems can manage either. If forced to continue providing services with categorical funding, local systems will find that a certain amount of flexibility comes simply from controlling a number of different workforce funding streams. The more funding streams they control, the more flexibility they have to respond to each individual’s real labor market needs.

4. Quality/appropriate training. Comprehensive services make strategic investments in long-term education and training (and the related support services participants need to complete training) in occupational areas with actual or projected labor shortages. The need for training must be verified by employers and market tested to ensure that workers with the needed skills are not already available for work. The training must be of high quality and meet the standards and credentials set by employers willing to hire successful graduates. Research shows clear payoffs for investments in such training, particularly for those who complete postsecondary programs at community colleges, technical institutes and proprietary schools that lead to industry-recognized certificates or associate degrees (Grubb, 1992). If the need for training cannot be demonstrated, it should not be funded from the state’s scarce workforce resources.

Compensating Resident Services Staff

As noted earlier, moving to the delivery system envisioned here will require doing business in a different way, including changing the way local service delivery staff are compensated. Staff in the new system, particularly those providing direct customer services, must have some part of their earnings tied to performance. Measuring the performance of resident services staff is more difficult than for employer services staff, but building performance incentives for resident services staff into the new workforce system is critical, both for the system’s success and that of its resident customers.

Financing Resident Services
Designing a Local Workforce Services Delivery System

Funding Texas’ new delivery system in the face of a declining federal commitment to workforce development is challenging indeed. While some savings will accrue from consolidating programs at the Texas Workforce Commission, integrating front-end services at local career centers and introducing new technologies, they will not be sufficient to offset the federal cuts, much less cover the costs of an expanded workforce delivery system like the one envisioned here. Other funding sources must be found. Clearly, local boards will have to diversify their funding bases and set explicit goals for decreasing their dependence on federal resources.

For the immediate future, however, the bulk of funding for resident services will have to come from federal sources. Whether these workforce funds come to the state as block grants or categorical programs, allocating them by formula to local boards will provide more discretion to local decision makers. Workforce officials must also look beyond the more familiar funding sources (JTPA; the Federal Unemployment Tax Act [FUTA], which provides funding for administering Wagner-Peyser authorized employment services and unemployment insurance; and Job Opportunities and Basic Skills) to other federal resources earmarked for workforce development. For example, a variety of student grant and loan programs constitute by far the largest federal commitment to workforce development, offering financial support to individuals who need postsecondary education and skills training. Widely used by both private and public training institutions, these programs are often overlooked as funding sources for job training and employment services.

State funding is another potential source of support for resident services. As discussed earlier with regard to employer services, the Smart Jobs and Skills Development funds represent $50 million annually in new dollars for skills training in Texas, an amount equal to more than one-third the current federal JTPA allocation to the state. While these two state programs focus on serving employers, the training they provide directly benefits local residents. A third source of state funding for workforce development comes through state support

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57 Allocating funds to local boards by formula, especially through block grants, gives local officials discretion over more of the workforce dollars spent in their areas, but this move alone does not increase the total amount of money available to an area.
for public community colleges and technical institutes. This funding works much like an entitlement in the sense that the state reimburses these institutions based on the number of contact hours they generate in state sanctioned programs. The more contact hours they generate, the more state money they get. These state funds represent major resources for workforce development, especially when augmented by local funds that also support public community colleges.

These nontraditional resources notwithstanding, federal and state funding is unlikely to be sufficient to meet residents’ needs. Other funding sources will have to fill in the gaps to serve more residents and provide those services that cannot be funded from federal or state sources. Decentralizing policy making to the local level sets the stage for locally designed and operated workforce programs. Local ownership holds promise for increased local commitment, including the assumption of partial financial responsibility for serving employers and local residents, particularly those who cannot pay their own way. Project Quest, a locally conceived and developed workforce project in San Antonio, offers an example of how this approach can work. Revenues from local taxes paid for a significant portion of project costs for the first two years, and private employers have made significant contributions to keep the project operating over time.

Finally, as was the case with employer services, the funding scheme for resident services must include fees for service. This will require a change in the way individuals contacting the workforce system are viewed. They must be thought of and treated as customers—some able to pay for all or part of the services they need, others in need of some level of financial assistance. If a local system provides high-quality information and services, more and more residents will turn to it, many of whom will be willing and able to pay for help finding a job, exploring career options or selecting a training provider.

Key Features of the Resident Services Component

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58 This statement is valid, but it needs qualification. If, as a result of significant new enrollments, state reimbursements were to increase dramatically, budget constraints of some sort would probably be imposed to limit or cap this entitlement.
Designing a Local Workforce Services Delivery System

The list below summarizes the full range of services and system capabilities of the resident services component and shows how it follows the guiding principles outlined earlier in this paper. Hand in hand with the employer services component, the resident services component creates an integrated workforce delivery system that offers a seamless sequence of services to meet resident needs.

- The resident services component offers multiple points of contact and gives access to the same information and services regardless of where or how individuals contact the system.

- It offers a personal rather than an institutional approach to service delivery, which gives customers immediate access to information and/or services without first subjecting them to a processing activity.

- It creates a continuous service process without duplicating functions or services along the way. As part of an integrated statewide system, it allows individuals to transfer their records when they move to other areas in Texas. They do not have to start over, wherever they relocate in the state.

- It creates a single intake, testing, assessment, counseling, case management, participant tracking and referral system for all developmental and support services provided through the local workforce system.

- It provides for an independent assessment of individual needs by an entity that has no vested interest in any local education and training provider.

- It mandates a mutually negotiated career development plan for residents whose long-term education and skills training requires intensive services and a significant investment of public resources. This plan includes a financial assistance component for training candidates who are unable to pay for the education and support services they need to find a job.

- It commits the required resources to individuals up front and refers them to local providers for the education, training and support services identified in their career development plans.
- It provides centralized, continuous case management and counseling. This process is tied to the system’s statewide automated intake, eligibility determination, participant tracking and reporting system.

- It offers long-term education and skills training options only as a function of labor market demand as reflected by current or projected labor shortages. Training options are not based on a desire to perpetuate any one institutional training provider and/or current training program.

- It provides residents access to otherwise unavailable high-skill, high-wage jobs through the quality supplier/purchasing agent relationships developed between the local system’s employers services representatives and area employers.

- It possesses a common identity, easily recognizable in the local area and throughout the state.

- It reflects a climate of professionalism, not one of deterioration and decay (Osborne, 1992, p. 257).
Bringing the Two Components Together

Though described separately in this paper, employer and resident services are complementary components of a local workforce delivery system. They must operate interdependently so that the services they provide benefit both employers and residents. On the one hand, it is the employer services component that opens access for residents to careers in high-skill, high-wage occupations. These jobs and training opportunities arise from relationships with employers developed by employer services staff. On the other, a local system’s ability to provide many employer services depends on the quality of its resident services. It is, after all, the resident services staff that identifies and refers qualified job applicants when an employer services representative has identified an employer’s need for skilled workers.

The easiest way to ensure a close working relationship between these two separate but interrelated components is to have the same contractor manage both for the local workforce board. This solution, however, comes with tradeoffs that must be considered. Finding a single entity with the requisite skills to provide both high-quality resident and employer services is highly unlikely. As discussed earlier, the breadth and depth of experience required to do both jobs is simply too great.

Most entities with expertise in providing workforce services to residents have had limited experience with local employers. Generally viewed as government programs which serve only the unemployed and economically disadvantaged, they do not have good reputations among employers. If they have had any direct interaction at all with the private sector, it has probably been in an effort to get employers to hire their graduates or to involve them in some other aspect of their program (i.e., serving on a policy or advisory board). Few, if any, have built relationships with employers based on meeting their human resources needs and providing quality, appropriate services.
On the flip side, entities with skills and experience relating to employers are not likely to have the knowledge and expertise to provide quality services to local residents, particularly those with special employment and training needs.

While the problem of finding a single contractor to provide both employer and resident services could be offset by a subcontracting relationship that provides the missing piece, be it employer or resident services, there is yet another consideration. If the lead contractor is a traditional provider of resident services, the business community is likely to view its adding an employer services component as just another variation on the local JTPA program or state operated employment service. This arrangement will not send the much needed signal that the new workforce system will do business differently. More important, the unique opportunity to break with past practices and leave behind employers’ negative images of these programs will have been missed.

Considering all these factors, it seems best that local boards have two different prime contractors, one providing employer services and the other serving residents. When two or more entities are involved, however, the question of how they work together day to day to meet local service goals becomes extremely important. Local boards must contractually mandate explicit working relationships between the two prime contractors to provide for the free flow of information and guarantee access—employers’ to qualified workers through the career development centers and residents’ to jobs and training opportunities identified by the employer services component. These relationships must be continuously monitored by the board’s staff to ensure that the two parts are working as a single system benefiting employers and residents alike.

Whatever the local contracting arrangement, matching employers’ needs with the interests, skills and aptitudes of local residents will be neither automatic nor easy. Needs vary widely within both customer groups as well as between

59 In many conversations with Texas employers related to workforce development and other research, I have heard them make repeated associations between commitment to change—in their own organizations and others’—and putting new people in key positions of responsibility. If Texas doesn’t bring new faces to the job of workforce reform, employers in the private sector—the ones we are trying to connect with—will not believe the state has made a serious commitment to change the way it does business.
them. Residents have differing career development and employment needs, while employers have diverse skill needs based on factors such as size, the nature of their business, organizational structure and the competition they face. The inevitable mismatches and the process that develops for addressing them are, in fact, evidence of a proactive system dedicated to making labor markets work more effectively. They provide yet another reason why the working relationship between the two components must be very close indeed.
DRAWING AN IMPORTANT DISTINCTION

Before concluding this section, it is important to clear up the lingering confusion between the local service delivery system outlined in state law and described here and the one stop centers now emerging in some local workforce areas under Department of Labor (DOL) funding. Part of the confusion stems from timing, because the two initiatives—Senate Bill 642’s new state/local workforce delivery system and the DOL-funded one stop grant to Texas—roughly coincided. State staff responsible for implementing the federally funded one stops compounded the confusion. While they set some minimum criteria for what constitutes a one stop approach to delivering workforce services, they did not enforce these standards. Consequently, local program operators developed a variety of approaches, all of which have more or less qualified as one stop delivery systems.

The underlying problem, however, and the source of most of this unnecessary confusion, is the fact that state implementation of the DOL one stop initiative largely ignored the state’s new workforce law. Senate Bill 642 was the primary factor in DOL’s decision to fund Texas, yet only a small amount of the money ($400,000) was earmarked for incentives to encourage the formation of local boards. Instead, the bulk of the funding went to support the development of one stop service delivery centers that did not meet the requirements of the new law in areas that were not moving to create new local workforce delivery systems. As a result, federal funding that should have been used to support workforce reform in Texas—and implement the new integrated delivery system—subverted it instead.

Though the two service approaches share many similarities and are both often called “one stops,” subtle yet important differences distinguish the state and federal initiatives. Understanding these differences will help local officials and others involved with designing the state’s new workforce system.

First, in areas of the state without a certified workforce board, the DOL-funded one stops are overseen by a stakeholder group (a “multi-entity
management team”) dominated by state agencies and the organizations which provide services in the local one stop centers. This leaves service providers in control of the local delivery system instead of transferring power to employer dominated local boards as required by state law. Nor does this arrangement give the system’s customers—local employers and residents—much opportunity to influence the design of the delivery system or the range of services it offers. This approach directly contradicts the reforms begun by Senate Bill 642 and later reinforced by House Bill 1863.

Second, the currently evolving DOL-funded one stops simply colocate separate service providers. They do not incorporate integrated service delivery systems like those envisioned by state workforce reformers. By moving categorically operated programs to the same place, these one stops create a shopping mall or super store where autonomous departments are identified by signs hanging from the ceiling. For the most part, they do not offer a common, centralized intake and eligibility determination process, and participant support functions like case management and counseling are provided separately by the different programs. There is also still significant duplication in the service delivery process.

Most of Texas’ new one stops have simply recycled earlier efforts to gather all workforce services under the same roof or in geographic proximity. Similar consolidation efforts have been tried from time to time since the Concentrated Employment Programs of the late 1960s but have never worked satisfactorily. For those seeking labor market assistance, there are advantages to having many different services available in the same location (and having some services offered on site), but many of the operational efficiencies expected from an integrated delivery system will never be realized by colocation alone. Nor can colocation achieve the broader efficiencies that come from introducing competitive market forces into the service delivery system. Without the tying of resources to residents by an entity independent of the various service providers, the opportunity for customer autonomy and for well-informed, independent

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60 Colocation is probably a necessary first step to an integrated workforce delivery system, particularly in an environment of categorical funding, separate state agencies and multiple programs. It is important that it be recognized as such rather than seen as satisfying the requirements of a fully integrated delivery system. It is a step in the right direction, not the goal of the state’s workforce reform effort.
decision making is lost. So, too, are the forces that would spur competition among providers.

Third, the DOL-funded one stop centers tend to focus almost exclusively on serving residents, and they largely ignore employers. As envisioned in state law and described here, employer services is the lead component in the local delivery system. This critical component, which links resident services to labor market demand and opens up access to quality jobs for residents, gets only limited attention from these one stops.

Finally, to the degree that some one stops offer developmental services, specifically basic education, they blur the separation required by state law between front-end and other services in the delivery system. Offering developmental services puts one stop centers in the education business and violates another legal mandate of the new service delivery process, the independent assessment of residents’ labor market needs.

Needless to say, the Texas Workforce Commission, which now administers the DOL one stop initiative, should immediately bring it into compliance with state workforce law. These funds were intended to support Texas’ reform effort, and they are too precious to waste.
THE ESSENTIAL INFRASTRUCTURE

While this paper focuses on the design of the local service delivery system, it is important to recognize that providing quality information and labor market services is possible only with the support of a strong management infrastructure. Given that workforce reform in Texas calls for the development of a statewide integrated system, it is imperative that the state make a number of up-front investments in essential governance and management structures and information systems to support the system’s planning, service delivery, accounting, evaluation and reporting functions.

State law lays out the governance and management framework for the new workforce system, but it leaves details of the design to the Texas Council on Workforce and Economic Competitiveness, the TWC and the other state agencies administering workforce funds. It is imperative that these state entities exercise leadership in designing the management infrastructure and funding its development. At the same time, however, state leaders must recognize that they are charged with creating a statewide system of decentralized policy making. They must involve representatives of local elected officials and their boards at each stage in the developmental process.

State leadership is critical for several reasons. First, the bulk of capacity building resources reside at the state level. House Bill 1863 allocates 20 percent of available workforce funding to the state for these and related purposes, unless superseded by federal or other state law. Only 25 percent of this amount can be spent on state administration. Second, state leadership is required to set minimum standards so that the system provides common access to information and basic labor market services to employers and residents throughout Texas. Third, major cost savings and operational efficiencies are possible only if the state makes the investment in infrastructure rather than leaving it to 28 separate local workforce areas to develop their own systems independently. Finally, a statewide infrastructure ensures the capability to shift information and services from one geographic area to another quickly and efficiently. This important feature guarantees that the state and its local partners can respond to special
labor market needs or emergency situations that outstrip the abilities and/or resources of any one workforce area.

The key components of the essential infrastructure are presented below. Though not discussed in detail, they are listed here to further understanding of the various statewide systems required to support integrated service delivery at the local level.

1. **An intergovernmental governance and management structure.** The state/local workforce system must operate in an intergovernmental framework which clearly delineates the roles and responsibilities as well as the relationships among the key players in the system. This involves three different “sorting” processes. First, there must be a sorting of roles and responsibilities at the state level among the state council, the TWC and the other agencies administering workforce development funds. The second sorting delineates state and local responsibilities. The last, at the local level, distinguishes the roles and responsibilities of local chief elected officials (as representatives of units of general local government) from those of their local workforce boards.

The delineation of roles and responsibilities among the state and its local partners is especially important because this new system of shared influence and control decentralizes policy making to local officials, who then become full partners in planning and delivering workforce services. This state/local framework must provide the needed structure for the delivery of workforce services while maintaining enough flexibility to respond to both state and local needs, identify and infuse resources from all possible sources, and achieve workforce objectives. No such partnership is without tension, but a stable intergovernmental framework is absolutely essential to the smooth and efficient delivery of workforce services.

2. **A state/local planning and budgeting process based on a top down, bottom up approach.** This means that the state, in consultation with local officials, sets the broad statewide policy framework (mission, vision, objectives, and performance expectations for workforce development) within which local officials set more specific objectives, design delivery systems and develop plans for providing services that best respond to the needs of employers and residents
in their areas. In this interlocked system, local goals and objectives must be appropriate subsets of statewide goals and objectives, and the state’s workforce plan is, for the most part, an aggregation of 28 local plans. The state’s ultimate success in workforce development, therefore, depends on the combined successes of each local area.\(^{61}\) The planning and budgeting process must recognize this interdependence.

Top down, bottom up planning encourages and supports local discretion yet still achieves statewide goals. It can also generate local funding for workforce services by ensuring they truly respond to local needs. Without increased local control and local responsibility, there will be no local commitment of any consequence, and workforce services will continue to be funded by federal and state sources alone.

3. An independent, outcomes based accountability system with compatible performance measurements and evaluation criteria and a reward structure based on long-term impacts as well as short-term performance. Labor market economists have long distinguished between system performance and impact. Just because a system performs well does not guarantee that it makes a significant difference in the labor market outcomes of those who participate. (See Barnow, 1992, and Geraci and King, 1981, for more discussion on this important distinction.) A comprehensive follow-up capability to gather information on long-term impacts is an essential part of the state infrastructure.

4. A statewide system for involving employers in setting industry skills standards and certification procedures for occupational training. Ideally, this system will be part of a larger, national effort, and the standards developed will guide curriculum development, training, and the assessment and certification of workforce skills in Texas.\(^{62}\) This system should elicit information about training.

\(^{61}\) Given their relative autonomy, local boards’ decisions may not adequately address some statewide priorities. In this event, the state can use its discretionary funds (some portion of the 20 percent of available workforce funding retained at the state level) to provide financial incentives to influence local decisions regarding services.

\(^{62}\) The State Skills Standards Board, legislatively mandated to manage this effort, should work closely with government and industry groups undertaking similar efforts at the national level. This board will facilitate the creation of employer groups organized along industry/occupational lines to validate existing standards or develop standards where there are none. This effort and
requirements from employers and permit the tailoring of national standards to accommodate state and local needs.

5. A state/local system for reviewing and certifying education, training and support services providers. A system for preapproving providers and the services or programs they offer is an essential counterpart to the individual referral approach of the resident services component. This system should place heavy emphasis on providers’ success (i.e., participants’ completion rates and graduates’ employment rates and long-term earnings), not just on their service process and formal accreditation as conditions for certification as an approved service provider. Without such a system, it would be difficult to ensure that individuals referred by the career development centers receive quality services. It would also be difficult to provide residents the information they need to become well-informed consumers of developmental and support services, a necessary step toward introducing competitive market forces into the local service delivery system.

6. A state/local contracting system. The state should structure the relationships between the Texas Workforce Commission and local workforce boards with formal contracts that might also guide the contractual relationships between local boards and their prime contractors—the entities providing employer and resident services. This structure should include state sanctioned procedures for funds management, procurement and accounting as well as boiler plate language and contract templates. A state/local contracting system will ensure a consistently high level of fiscal responsibility and accountability even in this decentralized delivery system.

the employer groups established should initially focus on occupational areas that offer good prospects for employment and earnings but require less than a baccalaureate degree.
Designing a Local Workforce Services Delivery System

7. A uniform statewide financial management and accounting system that allows for assigning, tracking, accounting and reporting costs to policy makers, funding sources, managers and operators at the federal, state and local levels. Given the diversity and categorical nature of funding for this system, it must have the capability to assign and report costs on a per-unit-of-service basis.

8. A state/local quality assurance and continuous improvement capability. The state’s workforce system must build in the capability to continuously assess its systems, procedures and results and to identify ways to improve the appropriateness and quality of the services it provides to customers.

9. A state level research and demonstration capability. This element is essential for developing, demonstrating and evaluating potential new services for the workforce system’s customers as well as new approaches to service delivery before they are marketed systemwide. This capability is integral to the effort mentioned above to continuously improve the system’s efficiency and to experiment with and find innovative approaches to ensure its continuing relevance to customers.

10. A comprehensive statewide labor market information system. Much of the local service delivery capability depends on providing information and basic labor market services through self-help systems or with minimal staff resources at the career centers. This approach is contingent on the development of a user friendly information system electronically accessible throughout the state. It requires a continuing state level investment to generate and update information and provide ongoing maintenance. In contrast to most labor market information systems, this one also serves employers and must, therefore, include information on the supply side of the market (i.e., the availability of workers, their education and skills, entry level wage rates, etc.) and information on available workforce services and providers (i.e., the quality of the education and training they provide and the success of their training graduates).

11. A statewide automated eligibility determination, case management, participant tracking and reporting system. Given limited staff resources at the local level and the large number of funding sources for which an individual may be eligible, this capability is essential for determining resident eligibility for
various services. It also takes the onerous paperwork out of case management
and counseling, freeing staff to carry out their real responsibilities while enabling
them to track resident progress and report to management and multiple funding
sources at any time. It is only through the application of this technology that the
economies of centralizing front-end functions for all workforce services at career
development centers will be realized.

The statewide automated system envisioned here should not be confused
with a state designed and operated system such as the integrated enrollment
system being considered for Texas’ health and human services programs. In the
new, decentralized workforce system, the state’s role is to work with its
partners, the 28 local workforce boards, to design a common system that would
operate in every career development center across the state under the direction
of the local boards. Ultimately, this approach will save money and prevent the
evolution of multiple local systems that cannot communicate with the state or
among each other.

12. A **statewide staff training and professional development system.**
Texas has a unique opportunity to reform workforce services and build an
integrated delivery system. Reaching this goal will require recruiting business
savvy staff and reorienting current staff to a new way of planning and delivering
services. The latter, reorienting current staff, can only be achieved through a
massive retraining effort up-front, not so much to teach new professional and
technical skills but to change mind sets regarding the mission of the workforce
system and explain how the new system will work, how people seeking services
should be treated and how staff performance will be evaluated and rewarded.
An ongoing professional development system is also needed, one with state and
local components, that demonstrates to people who work in the new system that
they, too, are lifelong learners worthy of major investments to help them
develop to full potential.

13. An **ongoing professional marketing campaign to raise awareness,**
create a positive image and build a customer constituency for the new
**workforce system and its services.** This element of the management
infrastructure must work locally and statewide to educate policy makers,
funding sources, customers, other stakeholders and the general public about the benefits of an integrated delivery system for workforce services.
CONCLUSION

Senate Bill 642 and House Bill 1863 create the framework for an integrated workforce delivery system that will help Texas employers and residents become more competitive in the global marketplace. Bold and ambitious, these laws thrust Texas to the forefront of the national workforce reform movement. Together they present a unique opportunity to break with the negative images of categorical programs, overcome their shortcomings and build a single, market-based service delivery system that better responds to the labor market needs of employers and residents.

Passing the legislation was the easy part, however. Now comes the formidable and challenging task of putting Texas’ new workforce system in place. Even if the Legislature stands fast and leaves the basic framework of the new system intact, it will take several years—maybe as long as a decade—to seize the new opportunities, make the necessary changes and demonstrate substantive improvements in customer services and labor market outcomes for employers and residents.

Present realities compound the difficulty of implementing the new system. First, Texas now receives less federal funding for workforce services than when the bills passed, and further reductions are likely. Second, the 104th Congress could not agree on national workforce reform legislation, which leaves most federal funding for workforce services flowing through the traditional categorical program channels. This makes the integration of services harder to achieve but not impossible.

Third, bureaucratic inertia afflicts all levels of government. The resistance to change is understandably high, particularly among those who see consolidated programs and decentralized decision making as direct threats to their livelihoods and who cannot envision themselves in comparable or better jobs in the new delivery system. They are rightfully concerned about their jobs, pension benefits and health insurance. Unless the state addresses these issues to the satisfaction of state and local employees who will be directly affected by the
reforms, there are likely to be organized efforts to slow implementation and repeal certain provisions of Texas’ new workforce law in the upcoming session of the Legislature.

Bureaucratic resistance from federal and state agencies also threatens to slow and even overturn workforce reform in Texas. At the same time their staffs and constituents say they support an integrated system, many agencies are attempting to retain separate funding for their programs, thereby excluding themselves from the new system. The best example of this is a recent attempt at the national level to get employment services funded by FUTA removed from federal workforce reform legislation. In a second but clearly related case, the regional office of the Department of Labor in Dallas has questioned the legality of formula allocating employment service funds to local workforce boards, selectively citing provisions of the amended federal Social Security Act to support its case.

To the extent these kinds of efforts succeed, they will protect categorical funding streams and reduce state and local flexibility to fashion services to address local labor market needs. The career development centers will have fewer resources under their direct control, limiting their options and the services they can provide. To the detriment of everyone, particularly the customers the new system is designed to serve, local program designers and administrators will spend less time delivering services and more time trying to coordinate services among separate agencies and programs.

A fourth factor which compounds the difficulty of implementing Texas’ reforms has to do with the integrated workforce system’s weak political support. While the bureaucrats and service providers who have benefited from categorical programs strongly support their continuation, no organized constituency exists to battle for an integrated delivery system. Its primary beneficiaries, Texas employers and residents, have yet to enjoy the benefits of an integrated service delivery system, so they neither know much about nor strongly support the state’s systems building efforts.

Fifth and finally, there is welfare reform. The pressure to implement new state and federal welfare reform laws and show quick results by reducing the
number of families on welfare could easily overwhelm Texas’ efforts to build the workforce delivery system envisioned in this paper. Many adults currently receiving Temporary Assistance to Needy Families, formerly Aid to Families with Dependent Children, will require intensive education and skills training to leave the rolls and become economically self-sufficient. The new workforce system is designed to provide services to these individuals as well as to serve other Texas residents who need information and labor market services to find well-paying jobs. Without additional workforce funding, however, welfare recipients will crowd out others who need assistance, and the new system will become nothing more than a job training program for TANF recipients. If that happens, the workforce system will become an adjunct of the welfare system, recipients will again be labeled and stigmatized, and employers will continue to look elsewhere for qualified applicants. Many of the potential benefits of workforce reform will never be realized.

Building a new workforce delivery system in the current environment will require creative thinking and a willingness to take risks. State leaders, local elected officials, workforce boards and systems designers at both levels must open up to new ideas and new ways of doing business. Nothing less than a paradigm shift will suffice.

Can the new workforce system work better than the categorical approaches of the past? Can it better meet the needs of Texas employers and residents? In both cases, the answer is a resounding yes. The potential is there, the possibilities unlimited. But will it? That’s a much different—and more important—question. Whether a consolidated, decentralized workforce delivery system can realize its potential depends, in the final analysis, on the quality and commitment of the people who get involved. At the state level, visionaries committed to systems building must share a common purpose, remain clearly focused on the desired results, and provide leadership and
consistent direction. At the local level, chief elected officials and the boards they appoint must hold a shared vision of an integrated system and the benefits it can bring to employers and residents of the areas they serve. Finally, there is no substitute for staffing the system with dedicated professionals who share a commitment to improving the quality of services they provide.

Does the state really have a choice? No. The old way no longer works. Texas must try the new alternative. We must give it a chance and the time to work.
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